

# A PATENTED LIE: ANALYZING THE WORTHINESS OF BUSINESS METHOD PATENTS AFTER *BILSKI V. KAPPOS*

## Comment

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## I. A PROPOSED BUSINESS METHOD

A student organization congregates late in the fall semester. The time has come for the organization's members to vote on those individuals who will assume leadership positions for the next calendar year. Two weeks before this meeting, the current president notified all members of the group who were eligible to run for a position—based on a set of criteria that included grades, service time, and other factors the organization values in its leaders. After the president sent out the notification, those members wishing to run for positions submitted their rankings for positions they would prefer. A nominating committee then collected all the candidates' rankings and voted to determine a single candidate for each position. Once the nominating committee had chosen a candidate for each position, the president published the slate to all members of the organization. Eligible members were then allowed to “challenge” the slate, which meant adding their names alongside those positions they wished to seek to fill out the electoral ballot.

A week after the closing of the ballot, the organization is meeting to vote on its leaders. Slated candidates that are not being challenged will be automatically installed at their positions, but those positions that have been challenged require additional steps. The challengers and the slated candidates are going to give speeches supporting their candidacies, and each running member will need to have another member of the organization speak on behalf of the candidate as well. So, with the organization ready to select its new leaders, the candidates and their supporters deliver their speeches; every member of the organization votes on the leadership positions; the nominating committee tallies the votes; and the president announces the new leaders. The organization has succeeded in another election. Did it also successfully perform a patentable business method? And if this method of voting is patentable, would it be worthwhile to secure a patent for it?

This Comment will address the questions of whether business method patents truly survived the United States Supreme Court's ruling in *Bilski v. Kappos*, and if they did survive, whether they are worthwhile.<sup>1</sup> It will also discuss the worthiness of a true business method patent given the United States Patent and Trademark Office's reaction to the *Bilski* decision.<sup>2</sup> To this end, Part II begins with an introduction of what patents contain and why they are worthwhile for inventors. Part III will detail the history of

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1. *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010).

2. See *infra* Parts VII-IX.

patent-eligible processes before *Bilski* and summarize patent-eligible processes leading up to the Supreme Court's decision. Part IV contains a definition of "business methods" in the patent context with a look at the term's textual definition, how courts have defined the term, and what examples exist of business method patents. Part V details the arguments for and against the patentability of business methods. Part VI will discuss the applicant's claims in *Bilski*, along with the Court's holdings and reasoning. Part VII contains an analysis of the state of patent-eligible subject matter after *Bilski* and applies that analysis to business methods in an effort to determine their patent eligibility. Finally, Part VIII will discuss whether obtaining business method patents is worthwhile. The Comment concludes with a look at the patentability of the hypothetical student organization's potential invention and a few predictions on the future of business methods in patent law.

## II. WHAT MAKES A PATENT WORTHWHILE?

The history of patents in the United States is a long one.<sup>3</sup> Many people outside the area of patent law are unaware that the United States had its first patent law before the thirteenth state (Rhode Island) even joined the Union.<sup>4</sup> The United States Constitution provided Congress with the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>5</sup> Congress first acted on this power in 1790, and President George Washington signed the first patent statute into law on April 10th of that year.<sup>6</sup> This first statute required a patent application to gain the approval of the Secretary of State, the Secretary of War, the Attorney General, and the President before a patent would issue, and then the patent would only last fourteen years.<sup>7</sup> The Patent Act of 1790 also defined the subject matter of a U.S. patent as "any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used."<sup>8</sup>

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3. See generally U.S. Patent No. X00001 (issued July 31, 1790) (George Washington signed the first United States patent, which was issued to Samuel Hopkins for an improvement to making pot ash and pearl ash.).

4. See Kenneth Dobyns, *The Patent Office Pony: A History of the Early Patent Office* (Sept. 21, 2010, 4:35 PM), <http://www.myoutbox.net/popch05.htm> ("Rhode Island ratified the Constitution and joined the Union as the thirteenth state on May 29, 1790, 49 days after the first patent statute was in effect.").

5. U.S. CONST. art. I, § 8, cl. 8.

6. See Dobyns, *supra* note 4.

7. See *id.*

8. An Act to Promote the Progress of Useful Arts, 1 Stat. 109 (1790).

The Patent Act would see many changes until 1952, when Congress modified the Act as it stands in large part today.<sup>9</sup> The 1952 Act incorporated the last major substantive reforms to U.S. patent law, including new conditions for patentability, specifically that the claimed invention be novel and non-obvious.<sup>10</sup> It also provided the current definition of patentable subject matter: “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”<sup>11</sup>

### *A. Contents and Terms of Patents*

In addition to defining what is patentable, the current Patent Act also details the requirements of an application, the basic benefits of owning a patent, and the lifespan of a patent.<sup>12</sup> In particular, a patent application must contain a written specification and at least one drawing of the claimed invention.<sup>13</sup> The Patent Act provides the following:

The [written] specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.<sup>14</sup>

Courts have read this section of the statute to necessitate three things of every patent application: a written description requirement, an enablement requirement, and a best mode requirement.<sup>15</sup> Patent applicants must satisfy these statutory requirements because “[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the

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9. See 35 U.S.C. §§ 1-376 (1952).

10. See *id.* §§ 102-03.

11. *Id.* § 101.

12. See *id.* §§ 112-13, 154 (2006).

13. See *id.* § 111.

14. § 112.

15. *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378 (Fed. Cir. 2007) (“[T]he ‘enablement requirement is satisfied when one skilled in the art, after reading the specification, could practice the claimed invention without undue experimentation.’”) (quoting *AK Steel Corp. v. Sollac*, 344 F.3d 1234, 1244 (Fed. Cir. 2003)); *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1223 (Fed. Cir. 2006) (“Inventors are required by 35 U.S.C. § 112, ¶ 1 to disclose the best mode for practicing their claimed inventions.”); *Capon v. Eshhar*, 418 F.3d 1349, 1357 (Fed. Cir. 2005) (“The ‘written description’ requirement . . . serves both to satisfy the inventor’s obligation to disclose the technologic knowledge upon which the patent is based, and to demonstrate that the patentee was in possession of the invention that is claimed.”). Since 1982, the United States Court of Appeals for the Federal Circuit has had exclusive jurisdiction over appeals in cases regarding patent issues. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). Thus, most opinions this Comment cites to will be opinions of that court and, of course, the Supreme Court. See 28 U.S.C. § 1295(a)(4) (2006).

inventive genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the public.”<sup>16</sup>

Given that a claimed invention is patent-eligible and the application describing the invention meets all the statutory requirements of the Patent Act, a patent will issue to the inventor, providing the following:

[A] grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process . . . .<sup>17</sup>

This grant generally lasts “20 years from the date on which the application for the patent was filed in the United States.”<sup>18</sup> Thus, in return for fully disclosing his or her claimed invention to the public, an inventor receives a limited monopoly in the making, using, and selling of the invention—a tradeoff that helps Congress “promote the Progress of Science and useful Arts.”<sup>19</sup>

### *B. The Need for Broad Patent Claims*

Every patent issued by the United States Patent and Trademark Office (PTO) “shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”<sup>20</sup> The claims must specifically and precisely define the limits of the claimed invention, and thus, “[it] is the claim, not the specification, which distinguishes what infringes from what does not.”<sup>21</sup> Courts will determine whether patent infringement exists by comparing the accused infringing product with the claims of the issued patent.<sup>22</sup> Therefore, a patent’s claims are its most important component.<sup>23</sup>

Given the importance of patent claims, patent practitioners will generally attempt to draft claims for clients’ inventions in the broadest terms possible.<sup>24</sup> Good, broad claims will generally protect the invention

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16. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 232 (1942).

17. 35 U.S.C. § 154(a)(1) (2006); *see also infra* Part III (explaining the state of patent-eligible processes before *Bilski v. Kappos*).

18. § 154(a)(2).

19. U.S. CONST. art. I, § 8, cl. 8.

20. 35 U.S.C. § 112 (2006).

21. Ernest V. Linek, *Bad Patent Claims—The Patent Litigator’s Nightmare*, IP LITIGATOR, March/April 2007, at 1.

22. *See id.*

23. *See* RONALD L. LACY ET AL., CRAFTING THE CLAIMS, ELECTRONIC AND SOFTWARE PATENTS: LAW AND PRACTICE 427 (2d ed. 2005).

24. *See* Linek, *supra* note 21, at 1.

by extending the patent to the broadest extent possible while avoiding the prior art and covering any insubstantial changes that competitors may make in an attempt to avoid infringing on the patent.<sup>25</sup> In fact, practitioners will many times begin drafting patent claims by sketching the claims of inventions broader than the PTO will accept, “[extending] right up to, and even [touching], the prior art.”<sup>26</sup> Practitioners will then later reduce the scope of the claims either to more accurately describe the invention or to defend the patent application from the PTO’s rejections.<sup>27</sup> Practitioners, however, do not wish to end up with an issued patent containing claims that are too narrow, as a patent’s broadest claims are its most valuable.<sup>28</sup>

### III. THE STATE OF PATENT-ELIGIBLE PROCESSES BEFORE *BILSKI V. KAPPOS*

To be patentable, a claimed invention must fall within one of the categories provided for in the statutes.<sup>29</sup> The PTO will issue a patent to “[whomever] invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”<sup>30</sup> Business methods, if patentable, would fit best in the category of patent-eligible processes, and therefore, any discussion on the patentability of business methods should begin with a definition of the term “process.”<sup>31</sup>

#### A. *What Is a Process?*

In *Perrin v. United States*, the Supreme Court recognized that “[a] fundamental canon of statutory construction is that, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.”<sup>32</sup> Therefore, to begin describing a process, one may first look to its dictionary definition: “[A] method of doing something, with all the steps involved.”<sup>33</sup> Patent law itself defines “process” to “[mean a] process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.”<sup>34</sup> Thus, a series of steps is a “process” within the patent statute.<sup>35</sup>

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25. *Id.*

26. LACY ET AL., *supra* note 23, at 429.

27. *See id.* at 427; Linek, *supra* note 21, at 1.

28. *See* LACY ET AL., *supra* note 23, at 429.

29. *See* 35 U.S.C. § 101 (2006).

30. *Id.*

31. *See infra* Part IV (explaining why business methods should be categorized as processes).

32. *Perrin v. United States*, 444 U.S. 37, 42 (1979).

33. WEBSTER’S NEW WORLD DICTIONARY 513-14 (4th ed. 2003).

34. 35 U.S.C. § 100(b) (2006).

35. *See id.*

The history of patent law in the United States, however, has left the term process with some limitations. For example, in *In re Meyer*, the United States Court of Customs and Patent Appeals rejected an inventor's application for a patent describing a process for replacing the thinking processes of a neurologist with a computer.<sup>36</sup> Specifically, the court held that the invention fell into the category of a "mental process," a category that did not fit any of the patent-eligible categories permitted by the statute.<sup>37</sup> The Supreme Court has also limited patentable processes to exclude scientific principles, laws of nature, ideas, and, of most significance to this Comment and the patentability of business methods, abstract ideas.<sup>38</sup>

### *B. Processes vs. Abstract Ideas*

The United States Supreme Court has addressed the patentability of abstract ideas on several occasions, always in an attempt to draw the line between patentable processes and mere attempts to patent abstract ideas such as laws of nature or mathematical formulas.<sup>39</sup> A few of the most cited examples of these Supreme Court decisions are *Gottschalk v. Benson*, *Parker v. Flook*, and *Diamond v. Diehr*.<sup>40</sup>

In *Gottschalk v. Benson*, the Court addressed a patent application for an invention consisting of an algorithm to convert binary-coded decimal numerals into pure binary code.<sup>41</sup> In particular, the application described the claimed invention "as being related 'to the processing of data by program and more particularly to the programmed conversion of numerical information' in general-purpose digital computers."<sup>42</sup> In assessing the patentability of the claimed invention, the Court discussed various examples of abstract ideas courts had held ineligible for patent protection, stating that "[p]henomena of nature, . . . mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work."<sup>43</sup> The Court found that Benson's claimed invention had no "substantial practical application" other than its use in a digital computer, so allowing the patent to issue would have

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36. *In re Meyer*, 688 F.2d 789, 790 (C.C.P.A. 1982).

37. *Id.* at 796.

38. See *infra* Part III.B (comparing processes to abstract ideas).

39. See generally *Diamond v. Diehr*, 450 U.S. 175 (1981) (accepting an application for a claimed invention that put a mathematical algorithm to a practical use, thus avoiding invalidation as an attempt to patent an abstract idea); *Parker v. Flook*, 437 U.S. 584 (1978) (rejecting an application for a mathematical algorithm); *Gottschalk v. Benson*, 409 U.S. 63 (1972) (holding, again, mathematical algorithms unpatentable as abstract ideas).

40. *Diehr*, 450 U.S. at 175; *Parker*, 437 U.S. at 584; *Benson*, 409 U.S. at 63.

41. *Benson*, 409 U.S. at 64.

42. *Id.*

43. *Id.* at 67.

effectively prohibited the public's use of the mathematical algorithm itself.<sup>44</sup> Therefore, the Court held the invention was not patentable.<sup>45</sup>

The Court performed a similar analysis in coming to the same conclusion in *Parker v. Flook*.<sup>46</sup> In *Parker*, the claimed invention described a method of updating alarm limits, useful indicators used in the monitoring of operating conditions during catalytic conversion processes.<sup>47</sup> The claimed invention only differed from the conventional method of changing alarm limits in its use of a mathematical algorithm to calculate the limits before updating them.<sup>48</sup> The Court relied heavily on its prior decision in *Benson* to conclude that the claimed invention at issue in *Parker* was also not a patentable process because it described an abstract idea by merely applying a mathematical algorithm to a conventional process.<sup>49</sup> Specifically, the Court rejected the notion that post-solution activity, or claims describing steps to take place after the application of the algorithm, would "transform an unpatentable principle into a patentable process."<sup>50</sup>

Yet, the Court has not struck down the use of all mathematical algorithms or arguably abstract ideas in patents. In *Diamond v. Diehr*, the Court addressed a patent application that described a method for molding raw, uncured synthetic rubber into cured precision products using a mathematical formula to complete some of its steps by way of a computer.<sup>51</sup> The respondents in *Diehr* claimed their invention was a novel solution that their industry could use to obtain uniformly accurate cures by way of applying an Arrhenius equation to determine the appropriate time and temperature needed for uniform cures.<sup>52</sup> The patent examiner rejected the application in light of the Court's *Benson* decision, and the Patent and Trademark Office Board of Appeals affirmed, but the Court of Customs and Patent Appeals reversed.<sup>53</sup> The Supreme Court agreed with the latter court, distinguishing the respondents' claimed invention from those discussed in *Benson* and *Parker* by finding that even though all three contained computer-related claims and the respondents' application did contain a mathematical formula, the respondents in *Diehr* did not seek to patent a mathematical formula; "Rather, they [sought] only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process."<sup>54</sup>

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44. *Id.* at 71-72.

45. *Id.* at 73.

46. *Parker v. Flook*, 437 U.S. 584, 585 (1978).

47. *Id.*

48. *Id.*

49. *Id.* at 589.

50. *Id.* at 590.

51. *Diamond v. Diehr*, 450 U.S. 175, 177 (1981).

52. *Id.* at 177-78.

53. *Id.* at 179-81.

54. *Id.* at 187.



Thus, abstract ideas and mathematical formulas, in and of themselves, are not patent-eligible processes.<sup>55</sup> But, the mere presence of abstract ideas and mathematical formulas is not immediately indicative of an ineligible invention.<sup>56</sup> Processes that apply those ideas or rely on those formulas as potential components are patent-eligible so long as they do not seek to foreclose others from using the ideas or formulas.<sup>57</sup> Therefore, a business method, as a process, must be more than an abstract idea and must do more than merely describe an algorithm in order to be patent-eligible.

### C. Developing a Test for Process Patentability

Before delving into the definition of a business method, the Supreme Court's decision in *Bilski*, and the PTO's reaction to that decision, it is important to understand the evolution of the test for patentable processes and its status before *Bilski*. In *Diamond v. Chakrabarty*, the Supreme Court understood Congress to have intended § 101 of the Patent Act to extend to "anything under the sun that is made by man."<sup>58</sup> But the Federal Circuit has seen fit to limit patentable subject matter in certain cases.<sup>59</sup>

The first relevant case in the recent evolution of the test for process patentability is *In re Alappat*.<sup>60</sup> In that case, the Federal Circuit addressed an invention that "[related] generally to a means for creating a smooth waveform display in a digital oscilloscope" by eliminating discontinuities, jaggedness, and oscillation using an anti-aliasing technique.<sup>61</sup> The examiner originally rejected several claims in the application as simply attempts at patenting mathematical formulae, but the Federal Circuit disagreed, holding that the invention was "not a disembodied mathematical concept which may be characterized as an 'abstract idea,' but rather a specific machine to produce a useful, concrete, and tangible result."<sup>62</sup> This was the first time that the Federal Circuit applied the "useful, concrete, and tangible result" test.<sup>63</sup>

The Federal Circuit then most notably applied the "useful, concrete, and tangible result" test in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*<sup>64</sup> In *State Street*, a bank brought an action to

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55. See *Parker v. Flook*, 437 U.S. 584, 589-90 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

56. See *Diehr*, 450 U.S. at 175.

57. See *id.* at 187.

58. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

59. See, e.g., *In re Bilski*, 545 F.3d 943, 949 (Fed. Cir. 2008) (rejecting an application claiming a method for hedging financial risks).

60. See *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994).

61. *Id.* at 1537.

62. *Id.* at 1544.

63. See *id.* at 1537.

64. *State St. Bank & Trust Co. v. Signature Fin. Grp., Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998).

invalidate Signature's patent, which was "generally directed to a data processing system . . . for implementing an investment structure which was developed for use in Signature's business as an administrator and accounting agent for mutual funds."<sup>65</sup> The court found the data processing system to be a machine for the purposes of statutory subject matter, and it upheld the validity of the patent because the invention produced a "useful, concrete, and tangible result."<sup>66</sup>

The opinion also produced two other important holdings. First, the claimed invention did not fall within the "mathematical algorithm exception" because it was not a disembodied truth, and it was a useful invention.<sup>67</sup> Particularly, the court held that "the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation."<sup>68</sup> Second, and most pertinent to this Comment, the court held that the claimed invention did not fall into a "business method exception" because such an exception did not exist in patent law.<sup>69</sup> Instead, the court held that "business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method."<sup>70</sup>

The court continued to apply the "useful, concrete, and tangible result" test over the next decade. For example, the year after *State Street*, the court decided *AT&T Corp. v. Excel Communications, Inc.*<sup>71</sup> In that case, the court addressed a patent that "[described] a message record for long-distance telephone calls that [was] enhanced by adding a primary interexchange carrier ('PIC') indicator."<sup>72</sup> Excel argued that AT&T's asserted patent claims merely covered a simple mathematical principle used to derive the PIC indicator.<sup>73</sup> But the court determined that "[b]ecause the claimed process [applied] the Boolean principle to produce a useful, concrete, tangible result without pre-empting other uses of the mathematical principle," the patent was valid.<sup>74</sup> The court continued to use a similar analysis for the patentability of process claims until its 2008 decision in *In re Bilski*.<sup>75</sup>

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65. *Id.* at 1370.

66. *Id.* at 1373.

67. *Id.*

68. *Id.*

69. *Id.* at 1375.

70. *Id.*

71. *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999).

72. *Id.* at 1353.

73. *Id.* at 1358.

74. *Id.*

75. *See In re Bilski*, 545 F.3d 943, 960 n.19 (Fed. Cir. 2008).

## IV. THE DEFINITION OF BUSINESS METHODS

It is not only important to understand the definition of a process and its pre-*Bilski* patentability, but it is also necessary to understand what business methods are and the arguments for and against their patent-eligibility. Similar to the discussion on processes, this Comment will start with the textual definition of the term “business method” before delving into the courts’ interpretations.<sup>76</sup>

## A. Textual Definition

*Webster’s New World Dictionary* defines the term “business” to mean “a matter or activity.”<sup>77</sup> The same dictionary defines the word “method” as “a way of doing anything; procedure; *process*.”<sup>78</sup> Thus, the term “business method” can be understood to mean an innovative way of completing a matter or doing an activity.<sup>79</sup> More importantly, in the patent context, a business method is not a machine, manufacture, or composition of matter, so it must fall under the statutory subject matter of processes; this categorization of a business method is also commensurate with the dictionary definitions found in *Webster’s New World Dictionary*.<sup>80</sup>

## B. Business Methods in the Patent Context

*Hotel Security Checking Co. v. Lorraine Co.*, which dealt with a patent related to “a ‘method of and means for cash-registering and account-checking’ designed to prevent frauds and speculation by waiters and cashiers in hotels and restaurants,” was the first case to address the potential patentability of business method patents.<sup>81</sup> As Rick Nydegger wrote:

The Second Circuit ultimately struck down the patent claims as invalid based on prior knowledge. After observing that the patented technology would occur to anyone conversant with the business, the court noted by way of *dictum* that business methods abstracted from the means of carrying them out cannot be within the statutory requirement that patents be issued for “new and useful art.”

. . . Nevertheless, the Second Circuit’s *dictum* [appeared] to have been adopted and followed with little or no question.<sup>82</sup>

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76. See *infra* Part III.A.

77. WEBSTER’S NEW WORLD DICTIONARY 90 (4th ed. 2003).

78. *Id.* at 407 (emphasis added).

79. See *id.* at 90, 407.

80. See *id.*; 35 U.S.C. § 101 (2006).

81. *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 467 (2d Cir. 1908).

82. Rick Nydegger, *B2B, B2C and Other “Business Methods”: To Be or Not to Be Patent*

In fact, the PTO's Manual of Patent Examining Procedure (MPEP) relied on *Hotel Security* as the basis for its per se rejection of business methods as patentable for over eighty years.<sup>83</sup> The PTO removed that restriction from the MPEP after the Federal Circuit's decisions in *In re Alappat* and *State Street*.<sup>84</sup> Before the Federal Circuit's decision in *In re Bilski*, a business methods exception to patentable subject matter no longer existed; instead, patent examiners treated claims describing business methods as if they were any other process claim.<sup>85</sup>

### C. Examples of Business Method Patents

Although the guidelines for the patentability of business methods evolved throughout the twentieth century, inventors managed to get several patents on what the PTO itself has considered to be business methods.<sup>86</sup> Perhaps the best way to understand patentable business methods is to take a look at a few patents that have issued for claimed inventions that are arguably business methods.<sup>87</sup>

In 1947, Ralph W. Bumstead filed a patent application for a claimed invention that "relate[d] to systems for making reservations of space allotments."<sup>88</sup> In essence, the issued patent describes a system for handling reservation requests and keeping statistics as to the number of open reservation slots, reserved slots, unavailable slots, slot prices, and other similar information.<sup>89</sup> The most important feature of the patented invention was its ability to automatically inform the individual attempting to make a reservation whether the reservation was successfully made in that individual's name or if the request had to be rejected because there were no more slots available.<sup>90</sup> Thus, the claimed invention provided a system comprised of a telegraph typewriter and several storage devices that the operator used together to effectuate the steps required in the process of handling reservation requests.<sup>91</sup> As handling reservation requests is a

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*Eligible?*, 9 U. BALT. INTELL. PROP. L.J. 199, 201 (2001) (citations omitted).

83. See MANUAL OF PATENT EXAMINING PROCEDURE § 706.03(a) (5th ed. March 1994) ("Though seemingly within the category of process or method, a method of doing business can be rejected as not being within the statutory classes.").

84. See *supra* Part III.C; see also MANUAL, *supra* note 83, at § 706.03(a) (8th ed. July 2010) (containing no mention of a per se rejection of business methods).

85. See Nydegger, *supra* note 82, at 200-03.

86. See, e.g., U.S. Patent No. RE38,762 (filed Apr. 7, 2000) (patent relating to a process for configuring build-to-order computer systems); U.S. Patent No. 6,070,149 (filed July 2, 1998) (patent relating to a virtual sales representative system); U.S. Patent No. 6,070,147 (filed July 2, 1996) (patent relating to a system for a loyalty marketing program); U.S. Patent No. 2,594,865 (filed Jan. 20, 1947) (patent relating to a reservation making system).

87. See '762 Patent; '149 Patent; '147 Patent; '865 Patent.

88. '865 Patent, at col.1 l.1-2.

89. *Id.*

90. *Id.* at col.1 l.16-22.

91. *Id.* at col.12 l.64-70.

business matter, and the patent described a process for completing that matter, the patented invention is arguably a business method.<sup>92</sup> Because the PTO examined the application when the business method exception was still in the MPEP, however, the applicant had to be careful not to have his claims mention a business practice or describe the invention as an aid to that business.<sup>93</sup>

An example of a business method patent that the PTO examined after the removal of the business methods exception from the MPEP was the patent for Customer Identification and Marketing Analysis Systems, the application for which the inventors filed two years after the Federal Circuit's decision in *In re Alappat*.<sup>94</sup> The claimed invention in that patent was "[a] method and system for administering a loyalty marketing program (i.e., frequent buyer program) by using a government-based identification card, such as a driver's license, as the frequent buyer redemption card."<sup>95</sup> Again, the patent describes a method relating to a business venture, specifically that of a customer loyalty program.<sup>96</sup> With no business method exception in the MPEP, and now guided by the "useful, concrete, and tangible result" test, the PTO approved the application as a business method patent.<sup>97</sup> The PTO would continue to use the test in issuing patents for applications claiming methods of doing business.<sup>98</sup>

It is important to focus on what these patents actually claim. Although the patents describe methods or processes for conducting business, they do not solely claim the methods and processes themselves; each patent claims the use of some technology or tool in order to perform the claimed process.<sup>99</sup> The patents do not claim business innovations themselves and thus are arguably not business method patents but are merely patents that describe methods that companies may use in conducting their business.<sup>100</sup> Malla Pollack, a former intellectual property and constitutional law professor, provided a good example of the difference between what these patents cover and actual business methods:

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92. *See id.*

93. *See supra* notes 81-83 and accompanying text.

94. *See* U.S. Patent No. 6,070,147 (filed July 2, 1996).

95. '147 Patent, at [57].

96. *Id.* at col.12 l.41-44.

97. *See id.*; *see also In re Alappat*, 33 F.3d 1526, 1537 (Fed. Cir. 1994) (holding anti-aliasing technique as mathematical subject matter and thus unpatentable).

98. *See, e.g.,* U.S. Patent No. RE38,762, at [54] (filed Apr. 7, 2000) (reissued patent covers a "process for configuring software in a build to order computer system"); U.S. Patent No. 6,070,149, at [57] (filed July 2, 1998) (application claimed "[a] method for enabling users over a network or over the WWW to interact with an interactive sales representative system for providing sales guidance").

99. *See* '762 Patent (process tied to the hardware components of the assembly line that produces the preconfigured computers); '149 Patent (process tied to electronic files containing sales and virtual representative data); '147 Patent (process tied to an electronic medium for collecting and storing customer data); U.S. Patent No. 2,594,865 (filed Jan. 20, 1947) (process tied to a typewriter and several storage mediums).

100. *See* sources cited *supra* note 99.

Consider a more modern example: Federal Express' overnight delivery service. I would accept as a machine patent a claim to a new truck or mechanical package sorter. I would accept as a process patent a claim for a non-obvious method of wrapping packages using pre-existing types of tape and paper. What I would like excluded as a "business method" claim is the entrepreneurial insight that a business can make money by guaranteeing overnight delivery to a mass market.<sup>101</sup>

FedEx's "entrepreneurial insight" is a solid example of a business method defined.<sup>102</sup> The Federal Circuit would agree with Pollack, and it noted the use of technology in current "business method patents" when, in its decision in *In re Bilski*, it specifically limited the patentability of business methods to those that are tied to a machine or effect some transformation of data.<sup>103</sup>

## V. SHOULD BUSINESS METHODS BE PATENTABLE?

In discussing the patentability of business methods, it is also important to consider whether they should be patentable in the first place. Intellectual property pundits argue both ways.<sup>104</sup>

### A. *The Argument for the Patentability of Business Methods*

Those who argue for the patentability of business methods will many times begin their argument with an oft-quoted Supreme Court decision, *Diamond v. Chakrabarty*, in which the Court chose a broad interpretation of Congress's intent in drafting § 101 of the Patent Act; according to the Court, Congress intended § 101 to extend to "anything under the sun that is made by man."<sup>105</sup> With such a broad scope comprising patentable subject matter, those who argue that business methods are patentable will argue that because business methods are something "under the sun that is made by man," and because there is no express business method exception in patent law, then any claimed business method that meets the statutory requirements of usefulness, novelty, and non-obviousness should be a

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101. Malla Pollack, *The Multiple Unconstitutionality of Business Method Patents: Common Sense, Congressional Consideration, and Constitutional History*, 28 RUTGERS COMPUTER & TECH. L.J. 61, 72 (2002).

102. See *id.*

103. See *In re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008); see also *infra* Part VI.B (describing the Federal Circuit's machine-or-transformation test).

104. Compare Nydegger, *supra* note 82 (detailing how patent examiners and the courts would handle business method patent claims), with Pollack, *supra* note 101 (laying out the arguments against the patentability of business methods).

105. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

patentable invention.<sup>106</sup> In essence, the argument boils down to one question: why not allow business methods to be patentable?

A more specific argument involves the defense-to-infringement provision of the patent statutes.<sup>107</sup> Section 273(b)(1) provides:

It shall be a defense to an action for infringement under [§] 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for *a method in the patent* being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.<sup>108</sup>

Section 273(a)(3) then defines “the term ‘method’ [to mean] a method of doing or conducting business.”<sup>109</sup> Thus, the language of the statute itself provides for instances in which inventors may inadvertently infringe on a patent by conducting some business method.<sup>110</sup> Again, the argument boils down to the question of why not allow for the patentability of business methods, especially considering the language in the statute expressly provides for business methods in its detailing of defenses to infringement.<sup>111</sup> Surely, if one can practice a business method and then point to that practice in defense of infringement, one could have patented the business method in the first place.<sup>112</sup>

### *B. The Argument Against the Patentability of Business Methods*

Notwithstanding the language in the statute, and despite the PTO’s continued willingness to issue business method patents, there still exist arguments (and powerful ones, at that) against the patentability of business methods. Malla Pollack pointed out four of them in her article:

First, common sense shows that patents on business methods do not promote progress. Second, Congress has not considered whether business method patents are likely to promote progress. Third, “useful arts,” as that phrase is used in the Constitution, does not include mere commerce. Lastly, the historical background of the Intellectual Property Clause

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106. *See id.*; *supra* Part IV.B (describing business methods in the patent context).

107. *See* 35 U.S.C. § 273 (2006).

108. § 273(b)(1) (emphasis added).

109. § 273(a)(3).

110. *See* § 273.

111. *See id.*

112. *See id.*

demonstrates that the ratifying generation would have considered business method patents abusive of the basic rights of Englishmen.<sup>113</sup>

Pollack's first argument—that patents on business methods do not promote progress—is based on the inherent qualities of the usefulness of business methods.<sup>114</sup> The United States issues patents to encourage inventors to invest in inventing useful creations; whether those creations are marketable is irrelevant in the patent discussion.<sup>115</sup> Business methods, however, are useful only when they directly affect revenue, and thus their potential patentability is intimately tied to their marketability and profitability.<sup>116</sup> Pollack argues that entrepreneurs do not need the incentive of a patent to invent a useful business method because they will do so themselves to improve their businesses.<sup>117</sup> Instead of promoting progress, business method patents actually retard it and increase the costs of developing useful business methods.<sup>118</sup>

Pollack admits that her second argument is her weakest, but it rings true nonetheless: "Congress has not decided that business method patents promote progress."<sup>119</sup> Pollack "found no evidence that when Congress first passed § 101 in 1790, or changed its language in 1952, Congress thought about business method patents to decide if they were likely to promote the progress of the useful arts—or progress of any kind."<sup>120</sup> Pollack thus concluded that because Congress had not considered the question of business method patents and their effect on promoting progress, business method patents were unconstitutional.<sup>121</sup> Pollack admitted that Congress could meet, consider business method patents, and disagree with her conclusion, thus nullifying this portion of her argument, but because Congress had not done that yet (and still has not today), the constitutionality of business method patents was still in question.<sup>122</sup>

Pollack also argues that the framers of the Constitution did not intend the term "useful arts" to include entrepreneurship.<sup>123</sup> Pollack's research into the meaning of the term in the eighteenth century produced "mechanical arts" (or "technological arts" today) as the meaning of useful arts.<sup>124</sup> Business methods, or "the mysteries by which merchants conduct

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113. Pollack, *supra* note 101, at 62 (citation omitted).

114. *Id.* at 76-77.

115. *Id.* at 76.

116. *See id.*

117. *Id.* ("[W]e do not need to give an entrepreneurial inventor exclusive rights in order to encourage the inventor to promote the progress of the entrepreneurial 'art.'").

118. *Id.*

119. *Id.* at 77.

120. *Id.*

121. *Id.* at 81.

122. *Id.*

123. *Id.*

124. *Id.* at 86-88.



commerce,” are not technological art and thus patents cannot issue over them.<sup>125</sup>

Pollack’s final argument is that the historical background of the Intellectual Property Clause of the Constitution suggests those who ratified the Constitution would have considered business method patents to be abusive of the rights of the people.<sup>126</sup> The ratifying generation disliked the British concept of exclusive rights in trade—or monopolies.<sup>127</sup> Yet, there exists little-to-no evidence of extensive discussion among the Constitution’s drafters concerning the Intellectual Property Clause.<sup>128</sup> Pollack interprets this lack of evidence as demonstrating that the drafters did not believe the Clause included these monopolies, and thus, that the drafters would not have agreed that business methods could be patentable because they would essentially have been allowing, through the patent process, the continuance of the British monopoly system.<sup>129</sup>

Pollack’s arguments are not the only arguments against the patentability of business methods.<sup>130</sup> Entrepreneurial and consumer advocates argue that though patents are supposed to promote innovation, they do not perform that function with regard to non-technological business and service methods.<sup>131</sup> The patent incentives do not work as they are supposed to for business methods because, as Pollack similarly argued, there are inherent incentives in being the first to implement a successful and useful business method, namely increased profitability and customer attention.<sup>132</sup> Moreover, there exist alternative methods for protecting innovative business practices, such as trade secret protections, which render patents superfluous in the area of business method protection.<sup>133</sup>

Furthermore, “[e]xtending patent protection to non-technological methods in business and services would disrupt settled expectations and impose substantial additional costs on innovators and investors.”<sup>134</sup> Small businesses and start-ups would have to incur the additional costs of researching business use patents before conducting their own businesses less they infringe upon a competitor’s business method patent, regardless of

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125. *Id.* at 86.

126. *Id.* at 108-09.

127. *See id.* at 108.

128. *Id.* at 108-09.

129. *Id.*

130. *See* Brief of Entrepreneurial and Consumer Advocates as Amici Curiae Supporting Respondent, *Bilski v. Kappos*, 130 S. Ct. 3218 (2010) (No. 08-964).

131. *Id.* at 14; *see also* Leo J. Raskind, *The State Street Bank Decision: The Bad Business of Unlimited Patent Protection for Methods of Doing Business*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 61, 93 (1999) (discussing examples of business innovations that occurred without the need for patent incentives, such as ATMs, alternative long-distance telephone services, quick oil change facilities, self-service gasoline stations, and fast food restaurants).

132. Amici Curiae Brief Supporting Respondents, *supra* note 130, at 15.

133. *See id.*

134. *Id.* at 23.

the competitor's substantive market.<sup>135</sup> Rather than being allowed to innovate and improve their businesses with broad discretion, companies would have to pay for licenses from their competitors to operate using business methods that are similar to those covered by competitors' patents.<sup>136</sup> In effect, this extension of patent protection could seriously impede progress for all companies, regardless of size and experience.<sup>137</sup>

## VI. THE SUPREME COURT AND *BILSKI V. KAPPOS*

Armed with an understanding of what comprises business methods and the different arguments for and against their patentability, it is appropriate to turn to the seminal case on the matter: *Bilski v. Kappos*.<sup>138</sup> This Comment will begin with a look at Bilski's claimed invention and the Federal Circuit's handling of the case before delving into the Supreme Court's opinions.<sup>139</sup>

### A. *Bilski's Claimed Invention*

Bernard L. Bilski and Rand A. Warsaw filed a patent application titled "Energy Risk Management Method" on April 10, 1997.<sup>140</sup> The key claims of the application were claims 1 and 4, which the Federal Circuit and the Supreme Court focused on to describe the claimed invention and to serve as a starting point for their analyses.<sup>141</sup> The claims read as follows:

1. A method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price comprising the steps of:
  - (a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumers;
  - (b) identifying market participants for said commodity having a counter-risk position to said consumers; and
  - (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

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135. *Id.* at 25.

136. *See id.*

137. *See id.*

138. *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

139. *See infra* Parts IV.A-E.

140. *See Ex parte Bilski*, No. 2002-2257, 2006 WL 5738364, at \*32 n.1 (B.P.A.I. Sept. 26, 2006).

141. *See In re Bilski*, 545 F.3d 943, 949 (Fed. Cir. 2008); *Bilski*, 130 S. Ct. at 3223-24.

4. . . . .

(a) [The method of claim 3], wherein the fixed price for the consumer transaction is determined by the relationship:

$$\text{Fixed Bill Price} = F_i + [(C_i + T_i + LD_i) \times (\alpha + \beta E(W_i))]$$

[w]herein,

$F_i$  = fixed costs in period  $i$ ;

$C_i$  = variable costs in period  $i$ ;

$T_i$  = variable long distance transportation costs in period  $i$ ;

$LD_i$  = variable local delivery costs in period  $i$ ;

$E(W_i)$  = estimated location-specific weather indicator in period  $i$ ;

and

$\alpha$  and  $\beta$  are constants.<sup>142</sup>

Essentially, the claimed invention was “a method of hedging risk in the field of commodities trading.”<sup>143</sup> It envisioned the use of an intermediary, a “commodity provider,” that would both isolate consumers from the possibility of spikes in demand and insulate market participants from drops in demand by providing commodities to the consumers at a fixed price and buying those same commodities from market participants at a second fixed price.<sup>144</sup> The intermediary “has thus hedged its risk; if demand and prices skyrocket, it has sold [commodities] at a disadvantageous price but has bought [commodities] at an advantageous price, and vice versa if demand and prices fall.”<sup>145</sup>

The examiner at the PTO rejected the claimed invention as “not directed to the technological arts” because it was “not implemented on a specific apparatus and merely manipulate[d] [an] abstract idea and solve[d] a purely mathematical problem without any limitation to a practical application.”<sup>146</sup> On appeal, the Board of Patent Appeals and Interferences disagreed with the examiner’s reasoning, but it also rejected the claims as not involving any patent-eligible transformation.<sup>147</sup>

### *B. The Federal Circuit and the “Machine or Transformation” Test*

Bilski and Warsaw then appealed the Board of Patent Appeals and Interferences’ decision to the Court of Appeals for the Federal Circuit.<sup>148</sup> The Federal Circuit affirmed the Board’s decision and, more importantly,

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142. Joint Appendix at A-198 to -99, *In re Bilski*, 545 F.3d 943, 949 (Fed. Cir. 2008) (No. 2007-1130).

143. *Bilski*, 545 F.3d at 949.

144. *See id.* at 949-50.

145. *Id.* at 950.

146. *Id.* (second alteration in original).

147. *Id.*

148. *See id.* at 943.

established “the machine-or-transformation test [as] *the* governing test for determining patent eligibility of a process under § 101.”<sup>149</sup>

The Federal Circuit posed the question in *Bilski*’s case as “whether [Bilski]’s claim recites a fundamental principle and, if so, whether it would pre-empt substantially all uses of that fundamental principle if allowed.”<sup>150</sup> The court conceded that the analysis for answering that inquiry was not straightforward, but the court’s review of Supreme Court cases yielded a definitive test: “A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.”<sup>151</sup> The court specifically relied on the Supreme Court’s opinions in *Benson*, *Diehr*, and *Flook* to come up with this machine-or-transformation test.<sup>152</sup> The court further explained:

A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article.<sup>153</sup>

Having thus explained the test, the Federal Circuit applied it to the claimed invention and rejected its patentability under § 101 as not being tied to a machine and not effecting some transformation.<sup>154</sup>

The Federal Circuit’s majority opinion also included language that would foreshadow the Supreme Court’s opinion and prove important to patent law.<sup>155</sup> First, the court invalidated the “useful, concrete and tangible result” inquiry it had previously established in *State Street*.<sup>156</sup> Second, the

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149. *Id.* at 956 (emphasis added).

150. *Id.* at 954.

151. *Id.*

152. *See* *Diamond v. Diehr*, 450 U.S. 175, 192 (1981) (holding that use of mathematical formula in process “transforming or reducing an article to a different state or thing” constitutes patent-eligible subject matter); *see also* *Parker v. Flook*, 437 U.S. 584, 589 n.9 (1978) (“An argument can be made [that the Supreme] Court has only recognized a process as within the statutory definition when it either was tied to a particular apparatus or operated to change materials to a ‘different state or thing.’”); *Gotschalk v. Benson*, 409 U.S. 63, 70 (1972) (“Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.”).

153. *Bilski*, 545 F.3d at 954.

154. *Id.* at 963–64.

155. *See* *Bilski v. Kappos*, 130 S. Ct. 3218, 3224 (2010) (Writing for the majority, Justice Kennedy opined, “Students of patent law should be well advised to study these scholarly opinions.”). The Federal Circuit produced five opinions in *In re Bilski*, but this Comment will only discuss the majority opinion, notwithstanding the fact that the other four opinions contain relevant and important discussions in the area of patent law. *See id.*

156. *Bilski*, 545 F.3d at 959–60 (concluding “that the ‘useful, concrete and tangible result’ inquiry is

court understood “that future developments in technology and the sciences may present difficult challenges to the machine-or-transformation test” and recognized “that the Supreme Court may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies.”<sup>157</sup> Thus, the majority readily understood that its establishment of a definitive test may be short-lived, and as this Comment will discuss in the next section, the majority was correct.<sup>158</sup>

### C. The Majority Opinion

Justice Kennedy wrote the opinion for the Supreme Court, and although this opinion came to the same conclusion as the Federal Circuit majority (Bilski’s invention was not patentable subject matter), the majority did not go as far as the lower court in limiting patentable subject matter.<sup>159</sup> The majority opinion had three important holdings: (1) the machine-or-transformation test is not the sole test but an important clue in determining patentability; (2) circumstances could exist where a business method would be patent-eligible; and (3) purely abstract ideas are not patentable.<sup>160</sup>

As far as the machine-or-transformation test, the majority disagreed with the Federal Circuit’s holding that the test was the sole test for what constitutes a “process.”<sup>161</sup> The majority, interpreting the patent statutes strictly, cautioned against imposing limitations and conditions on the patent laws that the legislature had not expressed.<sup>162</sup> Furthermore, the majority recognized that although in *Gottschalk v. Benson* the Court had “noted that ‘[t]ransformation and reduction of an article “to a different state or thing” is the clue to the patentability of a process claim that does not include particular machines,’” it also, in the same opinion, had “explicitly declined to ‘hold that no process patent could ever qualify if it did not meet [machine or transformation] requirements.’”<sup>163</sup> Therefore, the majority in *Bilski* held “that the machine-or-transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101[,] . . . [but it] is not the sole test for deciding whether an invention is a patent-eligible ‘process.’”<sup>164</sup>

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inadequate”).

157. *Id.* at 956.

158. *See id.*; *see also infra* Part VI.C (discussing the Supreme Court’s majority opinion in *Bilski v. Kappos*, where it held the machine-or-transformation test to be merely *one* of the tests for the patentability of subject matter under § 101).

159. *See Bilski*, 130 S. Ct. at 3218.

160. *See id.*

161. *Id.* at 3226 (“Adopting the machine-or-transformation test as the sole test for what constitutes a ‘process’ (as opposed to just an important and useful clue) violates these statutory interpretation principles.”).

162. *Id.*

163. *Id.* at 3227.

164. *Id.*

The majority similarly utilized a strict statutory interpretation of the term “method” in establishing its holding that the patent law does not categorically exclude business methods.<sup>165</sup> The majority further pointed to the mention of business methods in the infringement defense sections of the patent statutes to support the notion that circumstances exist when business methods would be patentable.<sup>166</sup> Even with its refusal to categorically exclude business methods from patentability, however, the majority was still careful to point out that its opinion should not be read so as to remove all limitations from the patentability of business methods—business method claims, like all other claims, must still be novel, non-obvious, and fully and particularly described.<sup>167</sup> “These limitations serve a critical role in adjusting the tension, ever present in patent law, between stimulating innovation by protecting inventors and impeding progress by granting patents when not justified by the statutory design.”<sup>168</sup>

Although the Justices were unable to agree on these first two holdings, the entire Court was in agreement on the third: Purely abstract ideas are not patentable, and *Bilski*’s claimed invention was not patentable because it claimed an abstract idea.<sup>169</sup> The Court looked to the guideposts in *Benson*, *Flook*, and *Diehr* regarding abstract ideas and concluded that “[t]he concept of hedging, described in claim 1 and reduced to a mathematical formula in claim 4, is an unpatentable abstract idea, just like the algorithms at issue in *Benson* and *Flook*.”<sup>170</sup> The Court further stated that “[a]llowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”<sup>171</sup> Thus, the Court affirmed the judgment of the Federal Circuit denying *Bilski*’s patent application.<sup>172</sup>

#### D. Justice Stevens’s Concurrence

In his concurrence, Justice Stevens, joined by Justices Ginsburg, Breyer, and Sotomayor, agreed with the majority that the machine-or-transformation test was a critical clue in determining the patentability of a claimed invention, but that it is not the sole test.<sup>173</sup> Justice Stevens,

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165. *Id.* at 3228 (“The Court is unaware of any argument that the ‘ordinary, contemporary, common meaning,’ . . . of ‘method’ excludes business methods.”) (citation omitted).

166. *Id.* at 3229 (“A conclusion that business methods are not patentable in any circumstances would render § 273 meaningless[,] . . . [and it would] violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous.”); *see also supra* notes 107-12 and accompanying text.

167. *Bilski*, 130 S. Ct. at 3229.

168. *Id.*

169. *Id.* at 3229-30.

170. *Id.* at 3231.

171. *Id.*

172. *Id.*

173. *Id.* at 3231-32 (Stevens, J., concurring).

however, disagreed with the majority about the possibility of patenting business methods; instead, Justice Stevens felt “[t]he wiser course would have been to hold that [the] petitioners’ method is not a ‘process’ because it describes only a general method of engaging in business transactions—and business methods are not patentable.”<sup>174</sup>

Justice Stevens’s analysis of the majority’s opinion highlights several interpretations that he believes to be in error.<sup>175</sup> In particular, Justice Stevens disagreed with the majority’s insistence on understanding the word “process” in light of its “ordinary, contemporary, common meaning,” because this “approach would render § 101 almost comical.”<sup>176</sup> Justice Stevens instead reviewed the history of the patent law—dating back to English patent law as early as 1623—in some detail, and “as [he] read the history, it strongly supports the conclusion that a method of doing business is not a ‘process’ under § 101.”<sup>177</sup> Justice Stevens also refuted the majority’s interpretation of § 273 (the defense to patent infringement) as a sign that Congress meant to allow for the patentability of business methods; instead, Justice Stevens interpreted “[t]he fact that Congress decided it was appropriate to create a new *defense* to claims that business method patents were being infringed [as merely demonstrating] recognition that such claims could create a significant new problem for the business community.”<sup>178</sup> Moreover, because Congress had placed the statute under the “Patents and Protection of Patent Rights” section of Title 35, rather than under the “Patentability of Inventions and Grant of Patents,” which contains § 101, Justice Stevens warned that the Court “should be loathe to conclude that Congress effectively amended § 101 without saying so clearly.”<sup>179</sup>

Justice Stevens’s opinion went on to discuss the balance between affording patent rights to business methods to protect inventors and denying those same rights to protect companies.<sup>180</sup> He concluded that individuals need no more incentive to come up with new and innovative ways of doing business than the reward of improving their businesses and increasing their own efficiencies—patent protection would only serve to hinder the innovation of business methods and cripple new businesses by subjecting them to infringement issues just for starting up.<sup>181</sup> In conclusion, Justice Stevens’s analysis of the balance weighed heavily in favor of excluding business methods from patentable subject matter, and thus, he strongly

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174. *Id.* at 3232.

175. *Id.* at 3236-39.

176. *Id.* at 3238 (“A process for training a dog, a series of dance steps, a method of shooting a basketball, maybe even words, stories, or songs if framed as the steps of typing letters or uttering sounds—all would be patent-eligible.”).

177. *Id.* at 3239.

178. *Id.* at 3251.

179. *Id.* at 3250.

180. *Id.* at 3253-57.

181. *See id.*

disagreed with the Court's disposition of the case, though he did concur in the judgment.<sup>182</sup>

### *E. Justice Scalia's Opinion*

Justice Scalia did not write an opinion in *Bilski*, but a look at the portions he joined and those he did not reveals an interesting question: What exactly is Justice Scalia's opinion regarding the patentability of business methods? Justice Scalia joined in the majority opinion for all parts except II.B.2 and II.C.2, and he joined only Part II of Justice Breyer's concurring opinion.<sup>183</sup> Justice Scalia's decision to join some parts but not others leaves one uncertain as to his actual opinion.

The two parts of the majority opinion, II.B.2 and II.C.2, that Justice Scalia did not join relate to the general question of the patentability of business methods.<sup>184</sup> Specifically, Part II.C.2 of the opinion states that "the Patent Act leaves open the possibility that there are at least some processes that can be fairly described as business methods that are within patentable subject matter under § 101."<sup>185</sup> On one hand, Justice Scalia's decision not to join this portion of the opinion portends his being of the opinion that business methods are not patentable subject matter.<sup>186</sup> On the other hand, however, Justice Scalia only joined Part II of Justice Breyer's concurring opinion, which noted the holdings that the entire Court was able to agree on.<sup>187</sup> In Part I of Justice Breyer's concurrence, which Justice Scalia did not join, Justice Breyer wrote that the "Court has never before held that so-called 'business methods' are patentable, and, in [his] view, the text, history, and purposes of the Patent Act make clear that they are not."<sup>188</sup> Thus, Justice Scalia did not join in any part of the opinions that held business methods to be patentable, but he also did not join in any part that held them to be unpatentable.<sup>189</sup> Only Justice Scalia knows why he refrained from joining in these parts, but the result is that there is no clear majority favoring the patentability or unpatentability of business methods.

## VII. THE STATE OF PATENT-ELIGIBLE PROCESSES AFTER *BILSKI V. KAPPOS*

On the same day the Supreme Court released its *Bilski* opinion, the PTO sent its examiners a memorandum to help guide their examinations in

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182. *Id.* at 3257.

183. *Id.* at 3223 (majority opinion).

184. *See id.* at 3227-29.

185. *Id.* at 3229.

186. *See id.*

187. *See id.* at 3258-59 (Breyer, J., concurring).

188. *Id.* at 3257-58.

189. *See id.* at 3223 (majority opinion).



light of the Supreme Court's decision.<sup>190</sup> The memorandum provided the following interim guidance while the PTO reviewed the Supreme Court decision:

Examiners should continue to examine patent applications for compliance with section 101 using the existing guidance concerning the machine-or-transformation test as a tool for determining whether the claimed invention is a process under section 101. If a claimed method meets the machine-or-transformation test, the method is likely patent-eligible under section 101 unless there is a clear indication that the method is directed to an abstract idea. If a claimed method does not meet the machine-or-transformation test, the examiner should reject the claim under section 101 unless there is a clear indication that the method is not directed to an abstract idea. If a claim is rejected under section 101 on the basis that it is drawn to an abstract idea, the applicant then has the opportunity to explain why the claimed method is not drawn to an abstract idea.<sup>191</sup>

The memorandum essentially instructed examiners to continue applying the test as the Federal Circuit had instructed while the PTO reviewed the decision.<sup>192</sup> Approximately one month later, after the PTO had sufficiently reviewed *Bilski*, the PTO released another memorandum to provide its examiners with guidance in a Federal Register notice.<sup>193</sup> This notice provided a list of factors that weighed towards and against the patentability of a subject matter, and an analysis of business methods using these factors tends to weigh towards unpatentability.<sup>194</sup>

#### *A. Factors to Determine Patent Eligibility*

The PTO's notice breaks the factors into whether the claims contain a recitation of a machine or transformation (either express or inherent), are directed toward applying a law of nature, or are conceptual in nature.<sup>195</sup> Business method claims fit most appropriately in the third category, and the factors that would determine a claimed invention's patent eligibility include the following:

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190. Memorandum from Robert W. Bahr, Acting Associate Commissioner for Patent Examination Policy, on Supreme Court Decision in *Bilski v. Kappos* to Patent Examining Corps (June 28, 2010) (on file with author).

191. *Id.*

192. *Id.*

193. See Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 Fed. Reg. 43922, 43922 (July 27, 2010).

194. See *id.* at 43925.

195. See *id.*

- (1) The extent to which use of the concept, as expressed in the method, would preempt its use in other fields; *i.e.*, that the claim would effectively grant a monopoly over the concept.
- (2) The extent to which the claim is so abstract and sweeping as to cover both known and unknown uses of the concept, and be performed through any existing or future-devised machinery, or even without any apparatus.
- (3) The extent to which the claim would effectively cover all possible solutions to a particular problem; *i.e.*, that the claim is a statement of the problem versus a description of a particular solution to the problem.
- (4) Whether the concept is disembodied or whether it is instantiated; *i.e.*, implemented, in some tangible way. Note, however, that limiting an abstract idea to one field of use or adding token postsolution components does not make the concept patentable. A concept that is well-instantiated weighs in favor of eligibility.
- (5) The mechanism(s) by which the steps are implemented; *e.g.*, whether the performance of the process is observable and verifiable rather than subjective or imperceptible. Steps that are observable and verifiable weigh in favor of eligibility.<sup>196</sup>

Examiners tasked with reviewing business method claims are now using these factors to determine the patent eligibility of such claims.<sup>197</sup>

These factors put the patent eligibility of business methods into question.<sup>198</sup> Particularly, a claimed business method invention would not be patent-eligible if its claims describe a use of a concept that would effectively grant a monopoly over it, cover both known and unknown uses of a concept, state only a problem to be solved, describe a general concept that is disembodied, or implement a mechanism that is subjective or imperceptible.<sup>199</sup> Business methods can be patentable, however, if their claims describe a particular solution to a problem, implement a concept in a tangible way, or describe a method of performing steps that is observable and verifiable.<sup>200</sup> Therefore, the PTO's guidance post-*Bilski* has not categorically excluded business methods from patentable subject matter.<sup>201</sup>

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196. *Id.* at 43925-26.

197. *See id.* at 43926.

198. *See id.* at 43925-26.

199. *See id.*

200. *See id.*

201. *See id.*

*B. Examples of General Concepts*

Although the PTO did not deem business methods unpatentable, its notice does cast considerable doubt as to whether the patentability of business methods is feasible.<sup>202</sup> In particular, the new guidance factors seem to cast a presumption of unpatentability for business methods by including them in the list of “general concepts” along with other presumably unpatentable subject matter, such as:

- [1] Basic economic practices or theories (e.g., hedging, insurance, financial transactions, marketing);
- [2] Basic legal theories (e.g., contracts, dispute resolution, rules of law);
- [3] Mathematical concepts (e.g., algorithms, spatial relationships, geometry);
- [4] Mental activity (e.g., forming a judgment, observation, evaluation, or opinion);
- [5] Interpersonal interactions or relationships (e.g., conversing, dating);
- [6] Teaching concepts (e.g., memorization, repetition);
- [7] Human behavior (e.g., exercising, wearing clothing, following rules or instructions);
- [8] Instructing “how business should be conducted.”<sup>203</sup>

Including business methods in a list along with concepts such as dating or wearing clothing—concepts which are obviously not patentable subject matter—casts doubt as to whether business methods themselves are patentable.<sup>204</sup>

*C. Are Business Methods Still Patentable?*

The Supreme Court did not categorically exclude business methods from the realm of patentable subject matter, and the majority in *Bilski* suggested circumstances could exist in which claims describing business methods could be patent-eligible.<sup>205</sup> Thus, technically, business methods are still patentable, and in fact, even application of the PTO’s new guidance

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202. See *id.* at 43926.

203. *Id.* (final emphasis added).

204. See *id.*

205. See *supra* Parts VII.B, VI.B.

factors would not invalidate some patents that the PTO recognizes as business method patents, such as those mentioned above.<sup>206</sup> This Comment will now review these patents and analyze them under the PTO's factors to determine whether they are patent-eligible.

U.S. Patent No. RE38,762, which describes a process for configuring software in a build-to-order computer system, would still be valid because the claims describe an implementation of the configuration concept that is tangible and the performance of its steps are observable and verifiable.<sup>207</sup>

U.S. Patent No. 6,070,149, which covers a method for enabling users over a network or over the internet to interact with an interactive sales representative system for providing sales guidance, and U.S. Patent No. 6,070,147—which describes a method for administering a loyalty marketing program using a government-issued identification card as the frequent buyer redemption card, would both be patent-eligible today because they both state specific solutions for specific problems—rather than just describing a general problem that needs a solution.<sup>208</sup> The same would be true of U.S. Patent No. 2,594,865, which describes a system for making reservations of space allotments (e.g., travel accommodations, theater seating, etc.), even though this patent was filed before 1952, the year Congress enacted the last major Patent Act.<sup>209</sup>

Therefore, business method patents can still technically exist. True business methods, however, such as FedEx's "entrepreneurial insight that a business can make money by guaranteeing overnight delivery to a mass market," would not likely be patent-eligible because they describe general concepts that would not pass an analysis under the PTO's guidance factors.<sup>210</sup> The PTO would likely reject a patent on such processes because they are disembodied, have no tangible implementations, merely describe a problem instead of a solution, or because of any other reason falling on the unpatentable side of the factor balancing test.<sup>211</sup> Specifically, in the case of an attempt to patent FedEx's overnight delivery business method, the attempt would fail because the application's claims would be mere statements of a general concept.<sup>212</sup> Moreover, almost every factor in the PTO's guidance notice would weigh against the claims (i.e., the claims' description of the concept's use would grant a monopoly over the concept,

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206. See *supra* Part IV.C (describing four examples of what the PTO considers to be business method patents).

207. See U.S. Patent No. RE38,762 (filed Apr. 7, 2000).

208. See U.S. Patent No. 6,070,149 (filed July 2, 1998); U.S. Patent No. 6,070,147 (filed July 2, 1996).

209. See U.S. Patent No. 2,594,865 (filed Jan. 20, 1947).

210. Pollack, *supra* note 101, at 72; see discussion *supra* Part VII.A.

211. See *supra* note 99 and accompanying text.

212. See Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 Fed. Reg. 43925-26 (July 27, 2010); see also *supra* notes 199-200 and accompanying text.

the claims would cover known and unknown uses of the concept, the claims would describe a disembodied concept, and the mechanisms for implementing the steps would be subjective or imperceptible).<sup>213</sup> Therefore, although the PTO may recognize business methods as patent-eligible subject matter, the claims for a business method must still meet specific guidelines before the PTO will grant a business method patent.<sup>214</sup>

### VIII. ARE BUSINESS METHODS WORTHWHILE?

The need for business method claims to meet the aforementioned specific guidelines in order to be patentable leads to the question of whether business method patents are worthwhile ventures for patent applicants.<sup>215</sup> To address that issue, it is appropriate to evaluate the types of patents available for business methods after *Bilski* and analyze whether inventors should undergo the trouble to obtain them or if they should use other avenues to protect their intellectual property interests.<sup>216</sup>

The cost for an inventor to hire a patent agent or patent attorney to prepare a patent application and defend it during the prosecution process can range from \$3,500 to more than \$25,000, depending on the complexity of the application.<sup>217</sup> Also, the time required for the patent review process may take three to eight years.<sup>218</sup> Thus, obtaining a patent requires much time and money, even though patents themselves do not generate income—patents serve to protect an inventor's rights, not increase his profits.<sup>219</sup>

Given the large investment of time and money required to obtain a patent, inventors will want their patents to secure the most rights and offer the most protection possible.<sup>220</sup> The most valuable patents contain the broadest possible claims.<sup>221</sup> Business method claims, however, do not have the option of being broad because, as per the PTO's guidelines for claims directed toward general concepts, the claims must be specific enough to describe a particular solution to a problem or implement a concept in a

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213. See Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 Fed. Reg. 43925-26 (July 27, 2010); see also *supra* notes 199-200 and accompanying text.

214. See *supra* notes 199-200 and accompanying text.

215. Cf. *supra* Part II.B (explaining the preference for patent claims to be broad rather than narrow or too limiting).

216. See *infra* notes 252-55 and accompanying text.

217. See *How Much Does a Patent Cost?*, COSTHELPER, <http://www.costhelper.com/cost/small-business/patent.html> (last updated Jan. 2007).

218. See *How Long Does it Take to Get a Patent?*, INVENTION STATISTICS, [http://www.inventionstatistics.com/Patent\\_Approval\\_Time.html](http://www.inventionstatistics.com/Patent_Approval_Time.html) (last visited May 16, 2011).

219. See 35 U.S.C. § 154(a)(1) (2006). Patents only grant the patent holder the exclusive right to stop others from making or using his invention and nothing more. *Id.*

220. See *supra* notes 24-28 and accompanying text.

221. See *supra* notes 24-28 and accompanying text.

tangible way.<sup>222</sup> Therefore, a business method patent's claims must be very specific to point out how (and with what mechanisms) the method should be applied.<sup>223</sup> Such a narrow patent would only cover specific instances of using the business method, which would allow competitors to make minor changes and then utilize the method at will, making the patent essentially useless for protecting the inventor's rights.<sup>224</sup>

With all of the foregoing in mind, it is time to determine (1) whether the hypothetical organization discussed at the beginning of this Comment has a patentable process, and if so, (2) whether it would be worthwhile for the organization to secure such a patent.<sup>225</sup> In regards to the first question, the answer is probably yes. Even applying the PTO's factor-balancing test, a patent practitioner could write claims that describe the organization's methods in such a way as to describe a particular solution for a problem (i.e., an election method for determining the organization's new leaders), and the claims would describe verifiable steps of performance (i.e., any individual could verify that the organization's members perform their tasks as the claims prescribe).<sup>226</sup> An attempt to patent this method, however, could run into difficulties because an examiner could claim the method does not implement a concept in a tangible way or the concept is disembodied.<sup>227</sup> Nonetheless, with regard to the limited question of whether the method is patent-eligible, and not the more specific issue of whether the PTO would necessarily approve a patent for the method, the answer is that the method probably is patent-eligible.<sup>228</sup>

But whether such a patent would be worthwhile is another question entirely. To avoid rejection, a patent practitioner would have to draw the claims narrowly so as to guard against an argument that the method is such a general concept that it is not patent-eligible because its claims are too broad, effectively granting a monopoly over the concept or covering both known and unknown uses of the concept.<sup>229</sup> Moreover, the patent practitioner would have to include in the claims some specific mention of a mechanism to perform the method (such as the mechanism for drawing up and posting the slate of candidates).<sup>230</sup> Absent such specificity, a patent examiner could reject the claims as describing a concept that could be performed through any existing or future-devised machinery, or even

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222. See *supra* note 200 and accompanying text.

223. See *supra* note 200 and accompanying text.

224. See *supra* note 200 and accompanying text; cf. *supra* notes 24-28 and accompanying text.

225. See *supra* Part I (introducing the hypothetical organization and its possibly patentable voting procedure).

226. See *supra* Part I.

227. See *supra* notes 199-200 and accompanying text.

228. See *supra* Part VII.C.

229. See *supra* note 199 and accompanying text.

230. See *supra* note 199 and accompanying text.

without an apparatus—a factor that would weigh heavily against the patentability of the method.<sup>231</sup>

To avoid rejection, a patent practitioner would have to write the claims to describe a very specific instance of the method's use, and competitors of the organization would need only to make some minor changes to that specific instance in order to avoid infringing on the protected method.<sup>232</sup> Such a patent would be useless to protect the organization's invented method, and thus any time or money invested in obtaining such a patent would be time or money poorly spent.<sup>233</sup> Admittedly, the hypothetical organization's method is not the best example of a pure business method, but anything more abstract than this procedure, such as FedEx's overnight delivery service idea, would have even less of a chance of being patentable and still less of a chance of being worthwhile for an inventor to obtain.<sup>234</sup>

Another consideration for the organization, should it decide that seeking a patent on its election process is worthwhile, is whether a business method would remain patentable subject matter by the time the PTO examined the organization's application.<sup>235</sup> As stated above, patents can take up to eight years to obtain.<sup>236</sup> In eight years, the Supreme Court may decide another case and finally exclude business methods from patentable subject matter.<sup>237</sup> On the other hand, the organization may perceive a stronger position now than when the Court decided *Bilski* because with Justice Kagan replacing Justice Stevens, the Justices that would have excluded business methods may have lost their leader.<sup>238</sup> Therefore, it is possible the Supreme Court, in a future case, could again hold that business methods are patentable subject matter, as it did in *Bilski*.<sup>239</sup>

At least one analyst suggests, however, that Justice Stevens's concurring opinion was going to be the majority opinion before Justice Scalia decided to join Justice Kennedy's opinion.<sup>240</sup> If this suggestion is accurate, and if Justice Kagan's ideas on patent law are in line with Justice Stevens's, then by the time the PTO was to examine the hypothetical organization's patent application, the Court may have issued an opinion

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231. See *supra* note 199 and accompanying text.

232. Cf. *supra* notes 24–28 and accompanying text.

233. See *supra* Part VIII.

234. See *supra* Parts VII.C (explaining that business methods are technically still patentable), VIII (determining that business method patents, however, are likely not worthwhile for inventors to obtain).

235. See *supra* Part VI.

236. See *supra* note 218 and accompanying text.

237. See *supra* Part VI.E.

238. See *supra* Part VI.D.

239. See *supra* Part VI.C.

240. See, e.g., Tom Goldstein, *Business Method Patents Nearly Bite the Dust*, SCOTUSBLOG (July 6, 2010, 12:54 PM), <http://www.scotusblog.com/2010/07/business-method-patents-nearly-bite-the-dust/> (pointing to factors such as Justice Stevens's opinion being longer, containing a statement of the facts, and starting with a historical background on the subject, among other factors, as supporting the idea that his opinion was originally going to be the majority opinion).

excluding business methods from patent eligibility.<sup>241</sup> If Justices Scalia and Kagan were to join Justices Ginsburg, Breyer, and Sotomayor in the next case dealing with the patentability of business methods, the organization's application would have little-to-no chance of becoming an issued patent.<sup>242</sup>

Even if the Justices were to completely revisit their views on the topic, the Court should eventually exclude business methods from patentable subject matter because the argument against their patentability is simply more compelling than the argument for it.<sup>243</sup> As Malla Pollack argued, the text of the Constitution, the historical background of the Intellectual Property Clause, and common sense all call for the exclusion of business methods from patentable subject matter.<sup>244</sup> Moreover, the argument against the patentability of business methods is not just theoretical, but also practical, for business method patents slow progress, do not promote innovation, and inhibit the growth of start-up companies.<sup>245</sup>

As for a specific argument against the patentability of business methods, Justice Stevens's concurrence effectively sums up the major points supporting the argument while striking down the Court's reasons for not excluding business methods.<sup>246</sup> Aside from reiterating some of the arguments made by intellectual property pundits, Justice Stevens also dismissed the Court's attempts at using statutory interpretation to support its refusal to exclude business methods.<sup>247</sup> In particular, he pointed to the history of patent law to refute the Court's insistence on construing the word "process" in light of its "ordinary, contemporary, common meaning" because it would render the subject matter statute's language "almost comical."<sup>248</sup> Furthermore, Justice Stevens's analysis of the "method of doing business" language in the defense-to-infringement statute suggests Congress was not attempting to protect business methods under the law of patents but merely recognizing that business method patents could create significant problems for the business community, similar to the argument that such patents would inhibit the growth of start-up companies.<sup>249</sup>

Nonetheless, it would be impossible to determine how the Court will rule on the issue in the future because Justice Stevens retired and Justice Kagan's views on this aspect of patent law are unknown.<sup>250</sup> Moreover, the possibility remains that the Court will just continue to uphold its opinion in

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241. *See id.*

242. *See supra* Part VI.D.

243. *See supra* Part V.B.

244. *See id.*

245. *See supra* notes 130-37 and accompanying text.

246. *See supra* Part VI.D.

247. *See id.*

248. *Bilski v. Kappos*, 130 S. Ct. 3218, 3238 (2009); *see supra* notes 176-77 and accompanying text.

249. *See supra* notes 176-77 and accompanying text.

250. *See Goldstein, supra* note 240.



*Bilski* because “[i]n statutory cases . . . (even those in which the statute’s construction is informed by a constitutional provision—here, the Patent Clause), the Justices try to adhere to *stare decisis*. The decision in *Bilski* settles the question that business methods are patentable subject matter until Congress decides otherwise.”<sup>251</sup>

Still, rather than invest time and money in obtaining a patent that may well be useless or unobtainable, perhaps the organization (and other inventors) would be better served using other methods to protect its intellectual property rights—namely the use of trade secret law.<sup>252</sup> “A trade secret may consist of any formula, pattern, device, or compilation of information that: (1) is used in one’s business; and (2) gives the employer an opportunity to obtain an advantage over competitors who do not possess the information.”<sup>253</sup> Turning to trade-secret protection rather than patent protection may be a better recourse for inventors because they would not have to disclose their ideas, which would lessen the probability of others copying or infringing upon their rights.<sup>254</sup> Moreover, there would be no need to fall within a patent-eligible category or seek the approval of the PTO to protect the idea—approval that would be difficult to secure given the PTO’s categorization of business methods as general concepts.<sup>255</sup> And if trade secret protection is a better avenue than patent law for protecting business method ideas, then business method patents are just not worth an inventor’s time and money to procure.

## IX. CONCLUSION

Some patent practitioners believe the Supreme Court’s decision in *Bilski v. Kappos* will have little-to-no effect on the procurement of patents simply because the Court did not categorically exclude business methods from patent-eligible subject matter.<sup>256</sup> Those same practitioners, however, still offer advice for slight changes to claim drafting so others may avoid rejection by the PTO under its new guidelines for the patenting of general concepts.<sup>257</sup> Thus, the *Bilski* decision may have a slightly muted effect, but the PTO’s reaction to the decision, along with the possibility that the Court may one day declare business methods unpatentable altogether, require

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251. *Id.*

252. *See generally* 27 AM. JUR. 2D, *Employment Relationship* § 178 (providing a general definition of a trade secret).

253. *Id.*

254. *See id.*

255. *See supra* Part VII.B.

256. *See* Orion Armon & Eamonn Gardner, *Practical Advice on Drafting Method Claims that Satisfy 35 U.S.C. § 101 After Bilski v. Kappos*, 14 No. 3 J. INTERNET L. 1, 1 (Sept. 2010).

257. *See id.* at 7-8.

patent practitioners to alter their claim-drafting methods to fit the PTO's guidelines and avoid the rejection of their clients' claimed inventions.<sup>258</sup>

Business methods are still patent-eligible subject matter because the Supreme Court's decision in *Bilski v. Kappos* leaves open the possibility that circumstances may exist where business methods may be patent-eligible.<sup>259</sup> But the viability of business method patents is just as tenuous as the arguments against their patentability are compelling.<sup>260</sup> Business methods should not be patentable, and even in the law's current state, which does not exclude business methods from patent-eligible subject matter, the narrow patents available for business methods offer little-to-no protection for their owners.<sup>261</sup> The Supreme Court's decision in *Bilski v. Kappos*, and the PTO's reaction to that decision, served to illuminate business methods' fragile place in the world of patent law, and both serve to warn practitioners and inventors against trying to patent what is narrowly patentable and thus unworthy of the attempt.<sup>262</sup>

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258. See *supra* Parts VI.D (explaining Justice Stevens's concurrence, which stated business methods should not be patent eligible), VI.E (analyzing Justice Scalia's opinion and determining the Court's opinion on the patentability of business methods is tenuous at best), VIII.A (describing the PTO's new factors for determining the patentability of general concepts).

259. See *supra* Part VI.B (detailing the majority's opinion in *Bilski*).

260. See *supra* Parts VI.E (pointing out the unstable footing on which the patent-eligibility of business methods rests), V.B (detailing the argument against the patentability of business methods).

261. See *supra* Part VIII.

262. See *supra* Parts VI-VIII.