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Intellectual Property Alert

Supreme Court Decides Some Business Methods Are Patentable, But Fails to Set-Forth Clear Guidelines

On Monday, June 28, 2010, the U.S. Supreme Court rendered its long-awaited decision in an important patent case, *Bilski v. Kappos*. In this decision, the Court recognized that some "business methods" may be patent eligible; however, the Court's opinions failed to set clear guidelines as to what types of business methods qualified for patent protection.

The question before the Court was whether a patent application directed to a mathematical model for hedging risks claimed patentable subject matter. The Court unanimously agreed the claims were unpatentable because they were directed to an abstract idea.

A "business method" typically involves a new method of doing business. More particularly, a business method is a process, method, or set of steps to accomplish a purpose or goal. Business methods can include processes such as performing an operation, a technique for an advanced diagnostic medicine, and developments based on linear programming, data compression and the manipulation of digital signals. They can also include methods relating to new types of e-commerce, insurance, banking, tax compliance, and the like. While the Court did not expressly rule on the patentability of methods involving computers or software, it appears such methods will generally remain patentable.

The Court overruled the Federal Circuit's rationale that in order for a process or method to be patent-eligible, it must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing ("machine-or-transformation" test). The Court recognized that while this may be one test to show something is a patentable method or process, it is not the only test. The Court did not delineate any other test.

As a result, except for abstract ideas, patentable subject matter remains available for any new and useful business method. However, by refusing to set-forth any guidelines, bright-lines or criteria or rules, companies, inventors, Patent Office Examiners, and attorneys were given little clarity to determining whether a particular method is patentable subject matter.

The Court's seventy-one (71) page Opinion can be found at <http://www.supremecourt.gov/opinions/09pdf/08-964.pdf>.

Please contact the attorneys in our Intellectual Property Department if you have any questions, or if we can be of any service.

Ungaretti & Harris' Intellectual Property Department provides a full range services focusing on patents, trademarks, trade dress, copyrights, trade secrets, unfair competition, computer technologies, franchising, licensing, IP litigation, IP portfolio management, M&A due diligence and lending due diligence.

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