



Legal News

Abstract Thoughts

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Ray Croc is well known as the founder of McDonalds.

But what if Croc had tried to patent the concept of fast food?

"It's a little silly, but it's something he could have done which didn't require any machinery," said intellectual property attorney Keith M. Baxter. "It's a classic business method."

While innumerable chains employ the fast food philosophy, a decision is pending in the U.S. Court of Appeals for the Federal Circuit which could redefine the way business methods are patented.

According to Baxter, who practices at Boyle Fredrickson, S.C, in Milwaukee, the outcome of *In Re Bilski* will likely broaden or narrow the scope of processes which are patentable.

"Everyone is trying to put an objective handle around what is and isn't patentable, which is very hard to do," Baxter said. "You make a bright line and people inch right up to it."

Useful, Concrete and Tangible

In his application with the U.S. Patent and Trademark Office (PTO), inventor Bernard L. Bilski claimed a three-step non-mechanical process which involved managing risk consumption of a commodity. The PTO rejected the claim in 2006 on the basis that it was an abstract idea and not a patentable process. Bilski appealed to the Federal Circuit on the grounds that his method produces a practical result, and does not have to be tied to a machine or transform something tangible. The court heard oral arguments in May, but has yet to issue a decision.

One of the key elements in the case, according to Baxter, is whether the court will decide to uphold the 1998 case of *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, which established the current standard by which business method patents are evaluated.

"The court said at the time we don't see any reason why you cannot patent business methods," Baxter said. "Which some people attribute to a wildness in the patent system."

Intellectual property attorney Thomas A. Miller of Michael Best & Friedrich LLP, Milwaukee, suggested that the court may revisit or revise the *State Street* decision if it believes the patenting of business methods have become too broad.

"To me the court would be within reason to say this is claiming an abstract idea and there is an absolute prohibition against that," Miller said. "It would be stringent to say business methods in general are not patentable as abstract ideas, so my guess is they would try to avoid that."

Baxter agreed that the court will likely restrain from completely banning the patentability of all business methods, but noted that the "unsympathetic" nature of *Bilski* may predict the ruling.

Since the subject matter deals with commodity transfers, Baxter suggested the court might be less willing to broaden the patentability of all business methods.

"This isn't a case where someone is claiming you can cure a childhood disease by how salty a mother's tear is, or something like that," Baxter said. "I think the court may have telegraphed what they are going to do based on the case they took."

Impact on IP Practice

Both Baxter and Miller said it will be hard to assess the immediate impact of a decision, either way, for their practice.

"I don't think it's going to affect us as a firm, because we get plenty of patent cases that involve

machines,” Baxter said.

Miller suggested the court has an opportunity to further clarify the patentability of business methods, but the ruling will not resolve the conflict the software industry has with patents, since this is not a software case.

“Frankly, a conversation between the [patent examiner] and a patent attorney might have resolved some of these issues,” said Miller, who added that a denial of Bilski’s claim could lead to more litigation on the issue.

If the court elects to expand on the current guidelines set forth in State Street, Baxter said it will keep companies from getting “one-click” patents, which contribute to mini-monopolies in business.

IBM and Microsoft both filed briefs in Bilski rooted in the respective charges that there is no sound policy for allowing business method patents and a patentable invention must operate on “something physical,” such as a computer program.

That is not to say that Bilski’s business method could not be done by computer, and likely will be, according to Baxter, to be profitable.

“It seems to me if someone comes and says I have a great commodities trading method, the first thing I’d say is can we let go of the four guys in a room and just go after Citibank, because they are going to computerize it,” Baxter said.

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