NORTH AMERICA

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Business Method Patents Curtailed by Court

In recent years there has been a large increase in the number of applications for business method patents filed in the US, and of infringement litigations involving those patents. Business method patents concern methods of engaging in business, often in the financial services, e-commerce, insurance or legal industries. Many people have been critical of this trend. They have felt that the increase in business method patents is symptomatic of a broken US patent system. Those critics can take heart in a recent decision by the US Court of Appeals for the Federal Circuit, which sets a higher standard for granting and sustaining business method patents.

In re Comiskey involved an appeal from a Patent Office rejection of an application, which claimed a "method for mandatory arbitration resolution regarding one or more unilateral [or bilateral] documents". Some of the claims were directed to a method that could be carried out without "the use of a mechanical device such as a computer". Other claims were limited to carrying out the method "through the internet, intranet, World Wide Web, software applications, telephone, television, cable, video [or radio], magnetic, electronic communication, or other communication means". The Patent Office had rejected all the claims as being obvious over the prior art. On appeal, rather than question the validity of the Patent Office's obviousness rejection, the Federal Circuit considered whether the claimed methods were statutory subject matter. That is, it examined whether they were directed to a "useful process, machine, manufacture, or composition of matter", as required by section 101 of the Patent Statute.

The Federal Circuit considered the claims that required the use of a computer or other device to be different in kind from those that did not. Claims that did not require the use of a computer were directed to "mental process – or processes of human thinking – [which] standing alone are not patentable even if they have practical application". In contrast, the claims directed to the method as carried out by "the internet, intranet, World Wide Web, software applications, telephone, television, cable, video [or radio], magnetic, electronic communication, or other communication means ... combin[ed] the use of machines with a mental process [and therefore] claim patentable subject matter". In reaching this view, the Federal Circuit relied on established legal doctrine and did not break new ground.

That some of the claims were directed to patentable subject matter did not end the Federal Circuit's inquiry, since "the other requirements for patentability, including non-obviousness, must still be satisfied." It is in dealing with the issue of obviousness that the Federal Circuit's decision may have its greatest impact on the patentability of business methods. The Federal Circuit explained that the use of a modern computer of communications system in an otherwise unpatentable mental process was obvious. "Here, claims 17 and 46 at most merely add a modern general purpose computer to an otherwise unpatentable mental process, and claims 15, 30, 44, and 48 merely add modern communication devices. The routine addition of modern electronics to an otherwise unpatentable invention typically creates a *prima facie* case of obviousness." In the end, the Federal Circuit did not decide whether or not the claims were obvious. Instead, it remanded that question to the Patent Office for further consideration.

In holding that the combination of an unpatentable mental process with a computer or communication device is *prima facie* obvious, the Federal Circuit has substantially altered the standard for patentability of business methods. Future developments in the courts and the Patent Office will reveal whether this holding will materially curtail the grant and enforcement of business method patents.

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