

# KRATZ, QUINTOS & HANSON, LLP

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## **BUSINESS METHOD PATENTS CURRENTLY BEING RECONSIDERED BY THE C.A.F.C.: EN BANC HEARING TO TAKE PLACE ON MAY 8, 2008**

by Mel R. Quintos & Jason T. Somma

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早春の候、ますますご清祥のこととお喜び申し上げます。

As you may know, in July 1998, the Court of Appeals for the Federal Circuit (C.A.F.C.), in the case of *State Street Bank and Trust Co. v. Signature Financial Group, Inc.* suggested that almost any unobvious software-related invention is patentable if the claims are properly drawn. The patent involved in the *State Street Bank* case, U.S. Patent No. 5,193,056, is generally directed to a data processing system for implementing an investment structure dealing with the administration and accounting of mutual stock funds. The court held that the transformation of data in a software-related patent (e.g., in the *State Street Bank* case, which represented "discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price") constitutes: (a) a "practical application of a mathematical algorithm, formula, or calculation," but (b) nevertheless, produces "a useful, concrete and tangible result."

The Washington, D.C. newspaper *Legal Times* recently reported that critics of the *State Street Bank* case say that this case has the effect of overburdening the U.S. PTO in that:

[a]pplications for business method patents have increased by an average of 1,000 a year since 2005, according to the Patent Office. In 2007, the office received 11,378 application filings and issued 1,330 business method patents.

The *Legal Times* also reported however that "[s]upporters say business method patents protect U.S. innovation, especially on the Internet, where ideas are poached almost inevitably."

The C.A.F.C. has recently taken up this debate in *In re Bilski*. On appeal, the U.S. PTO Board of Patent Appeals and Interferences affirmed the U.S. PTO's rejection under 35 U.S.C. §101 of a claimed method of managing a (financial) hedge fund as being non-patentable subject matter because, lacking a recited or implicit structure, the patent application claimed nothing more than an "abstract phenomenon" tantamount to a "mathematical algorithm." The inventor, Bilski, then appealed to the C.A.F.C., where a panel of three judges heard oral argument on October 1, 2007. In an unusual step, the court declined to issue an opinion and instead issued an order for rehearing *en banc* before the entire panel of active judges of the court. The *en banc* hearing will be held on May 8, 2008.

This is a potentially important case, especially in the court's asking that the parties address a wide array of issues relating to the patentability of processes and business methods, due to the court's varying from specific elements of the *Bilski* appeal, and whether the court should reconsider its holdings in, for example, the *State Street Bank* case.

### **NEWS ABOUT OUR FIRM** by Hidemi Tominaga

- We are pleased to announce that the *Intellectual Property Today* magazine (March, 2008 issue), in its "Top Patent Firms" section, has ranked our firm in the top-fifth (62 out of 352 firms) among U.S. firms in the number of U.S. patents issued for 2007. Accordingly, we would like to extend our deepest and most sincere gratitude to you, our valued clients, for your continued support.