

## **Business Models Based on "Business Method" Patents May Be at Risk**

by Rod Berman, 07/02/10

Businesses that rely upon "business method" patents to protect their market share received a mixed message this week in the U.S. Supreme Court decision *Bilski v. Kappos*.

While the Court indicated that specific application of some business methods may still be protectable by patents, basic business model concepts are not, as Mr. Bilski learned when the Court affirmed the invalidation of his patent directed to using a hedge fund in the energy markets.

In its June 28th article, "IP Lawyers React to Bilski's Long-Awaited Arrival," Law360, the Newswire for Business Lawyers, JMBM's Intellectual Property Group Chairperson Rod Berman stated:

"Not unsurprisingly, the Supreme Court has ruled that the 'machine-or-transformation test' is not the sole test for determining whether a process is a patentable "process" under Section 101 of the Patent Act."

Surprisingly, three Justices, Ginsburg, Breyer and Sotomayor, agreed with Justice Stevens concurring opinion that business methods are not patentable subject matter.

This is notwithstanding the fact that Congress has recognized in the Patent Act that methods (the patentable subject matter) include "a method of doing or conducting business." 35 U.S.C. Section 273(a)(3)

Nevertheless, this opinion advises the business community of how precarious a business model based upon the patenting of business methods

is, and how a one vote shift in the Court could have invalidated many patents and the foundation of billions of dollars of business presently protected by business method patents."

Because the Bilski decision left many questions unanswered, there is much speculation about where U.S. Supreme Court Justice nominee Elena Kagan's opinion would fall in future cases that deal with the patentability of business methods. Law 360 asked Rod Berman for his opinion, and his comments were published in the article, "Kagan a Wildcard in Future Bilski," (Law360, the Newswire for Business Lawyers, June 29, 2010):

"My guess is that she would have the same philosophy as Justice Stevens," said Rod Berman, chairman of the intellectual property group at Jeffer Mangels Butler & Marmaro LLP. "So if all she did was change places with Justice Stevens, there would still be four justices that would be in the minority."

For businesses that rely on business method patents for protecting market share, the fact that a near-majority of the Supreme Court voted contrary to their business interests suggests that the judiciary may not secure their business model in the future.

If you have any questions about the application of this decision to your business or that of your clients, or any other issues in intellectual property law, contact Rod Berman at [rberman@jmbm.com](mailto:rberman@jmbm.com) or 310.201.3517.