

# It Seems Software Patents Are Safe, at Least for Now

By Jakub Michna, Associate

*In re Bilski* involves a business method patent, and raises the question of whether such a claim is eligible for patent protection under Section 101 of the Patent Act. Although Bilski's method claim is not directed to a software program and does not require use of a computer, questions regarding the patentability of software arose in this case when, in its en banc order, the Federal Circuit asked the parties to address the issue of whether its previous decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), should be overruled.

*Amici* on both sides submitted briefs arguing for or against the patentability of software. We participated in the filing of an amicus brief on behalf of the Boston Patent Law Association, and attended the oral arguments.

In *State Street*, the Court held that a programmed computer that calculated a final share price was patent eligible. Thus, a reversal of the holding in *State Street* would have the potential to invalidate a broad class of software patents.

Of the two parties and the two *amici* that were granted permission to participate at oral arguments, only William Lee representing a group of *amici* financial services companies argued that *State Street* should be overturned. Mr. Lee admitted that a reversal would likely invalidate a broad class of software patents. He argued that the statute does not provide patent protection for processes that simply transform data from one form to another. Also, he argued that an otherwise unpatentable process could not become patentable simply because it was tied to a computer in a conventional way.

This position did not appear to be popular with the Court. Even Judge Michel, who had been the most vocal panel member in challenging Bilski's position, pointed out that in asking the Court to determine whether or not a process was conventionally tied to a machine, Mr. Lee was inappropriately conflating the statutory novelty and obviousness requirements with the eligibility requirement of Section 101.

The arguments of Professor John Duffy, representing *Amicus* Regulatory Datacorp, and David Hanson, representing Bilski, resonated better with the Court. Although neither of them was able to provide Judges Michel and Newman with a particular standard for separating the patentable from the unpatentable, they were able to deflect these questions by reminding the Court that the Supreme Court and Congress envisioned a broad test for patentability because innovation was unforeseeable. This position was shared by a number of the Judges on the panel. Judge Linn chided Mr. Lee and the PTO by explaining that their narrow rule requiring a process to perform a physical transformation of an article or to be tied to a particular machine would only be valuable for the industrial age, but not for today's information based economy. Similarly, Judge Rader asked Raymond Chen of the PTO the basis for his narrow interpretation because, from Judge Rader's reading of the statute, it appears that a process is patentable so long that it is useful and meets the other statutory requirements.

Although based on the Court's tone it seems that it is not ready to modify *State Street* and create a rule that would wipe out a broad class of software patents, its opinion of business method patents and the Bilski claim was not clear. Mr. Hanson explained that Bilski's claim was patent eligible because it required communication and transfer of data between parties and, therefore, did not constitute an abstract idea. Even if this is the case, Judge Rader pointed out that the claim clearly did not meet the novelty and definiteness requirements. And much of Mr. Hanson's time was spent addressing questions on what constitutes an abstract idea. So, how the Court will decide with regard to business method patents and Bilski's claim is difficult to discern, but based on the Court's comments and questions during oral argument, reaffirmance of *State Street* and software patents is a safe bet. ✧

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