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INTELLECTUAL PROPERTY

Are Business Method Inventions Being 'Given the Business'?

The Patent Office is increasing resistance to new business method patents

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Friends often ask me “JD, what can you patent?” knowing I am a patent attorney. I explain that Section 101 of the patent laws (35 U.S.C. § 101) states that you can get a patent on “any new and useful processes, machine, manufacture, or composition of matter, or any new improvement thereof.”

I then usually try to provide them with a few real-life examples, explaining that you can get patents on “control feedback circuits for digital signal processors,” “methods for fabricating semiconductor wafers,” “new pharmaceutical drug formulations” and even “business methods.”

However, these examples tend to make even insomniacs sleepy.

So, when my friends start to change the topic to anything but patent law, I quickly provide some more exciting examples of granted patents, including: the “reverse claw” golf putting grip

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(U.S. Patent No. 5,616,089), a “religious meditation apparatus” consisting of a church-shaped bird feeder that allows you to watch birds as you pray (U.S. Patent No. 6,837,185), and a method of exercising a cat with a laser pointer (U.S. Patent No. 5,443,036).

My business-world friends, however, usually ask, “So what is an example of a business method patent?” I reply, a patent on a new and improved way of conducting one’s business, such as, hypothetically, a new method of grouping and trading stocks, perhaps over the Internet.

I also explain that the 1998 landmark decision of *State Street Bank & Trust v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), overruled the long-time “business method exception” that would not allow inventors to obtain patents for methods of doing business. *State Street* specifically held that: “business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.” Id. at 1375.

At this point, with the citation of case law, my friends’ eyes begin to glaze over again. I also make a “note to

self” to next time stick to patent examples such as the “beer-brella,” an umbrella-like device to keep the sun off your beer (U.S. Patent No. 6,637,447).

My advice to clients, an audience that really does want to know about business method patents, is the same: “Business methods are patentable if they are new and not an obvious extension of what has been done before. The case of *State Street* put this issue to rest.” I explain that “We can certainly file a patent application on your new and improved method of cataloging widgets using bottlenose dolphin clicks.” I further explain that the Patent Office even created a special core of patent examiners to examine the flood of incoming business method patents that followed from *State Street*. I reassure them that in the past seven years since *State Street*, I have regularly prepared, filed and obtained patents on business method patent applications on behalf of my clients.

So what’s the issue? Well, apparently, we patent attorneys who regularly prepare and file business method patent applications are now seeing severely increased resistance from the Patent Office in allowing these types of

patents.

For example, the Patent Office is now often issuing responses (known as "Official Actions") to business method patent applications which state, in essence, "Don't even think about getting a patent on a method of doing business unless you expressly specify that a computer is integrally involved in your business method." The Patent Office has now quietly grown resistant to allowing methods that can be performed entirely by humans with a pen and paper.

Thus, under this new policy, a method of exercising a cat using a laser pointer might be rejected as unpatentable per se, unless the inventor specified there was a computer system controlling the movements of the laser pointer — or the cat! And while I am generally "pro-computer," and really enjoyed the role of HAL in "2001: A Space Odyssey," it appears contrary to the case of *State Street* that the Patent Office is now mandating that inventors restrict their inventions to *computer-implemented* business methods.

It is true that many inventive methods of doing business do rely upon computers. But not all do. For example, what about a new and innovative method of assembling parts for a product? What about unique methods of investing that do not require computers?

So what is going on? *State Street* was not overturned or revisited by the Federal Circuit. However, it now seems that the Patent Office is trying to curb the granting of business method patents, perhaps from a backlash of public commentary that it was being too lax in allowing them after *State Street*.

For instance, the grant of Amazon.com's "one-click" on-line shopping patent was thought to have set the threshold for patentability too low. See, e.g., www.clapper.org/boycott-amazon ("The U.S. Patent and Trademark Office has, once again, issued a questionable patent, this time to Amazon.com. ... What has Amazon

actually patented? The ability to store some identifying little token in your browser, so that the browser will automatically send your identity to the web server when you select the 'purchase' button. In short, Amazon has patented its 1-Click interface. If that doesn't seem to you like a particularly innovative idea ... you're in good company. Blame the U.S. Patent Office for granting yet another ill-advised, inappropriate patent.")

Another theory is that the Patent Office, and particularly the business method patent examining group, is understaffed and overwhelmed. See, e.g., www.usatoday.com/money/companies/regulation/2005-05-02-patent-reform_x.htm ("From 1992 to 2004, Congress diverted more than \$750 million of the revenue generated from patent applications to other government agencies, Wamsley says. That left the office understaffed.")

Perhaps by issuing more rejections and making it increasingly difficult to obtain a business method patent, the Patent Office hopes many inventors will simply give up and not spend the time and effort needed to fight for a patent.

What is clear to many patent attorneys is that the Patent Office is going to great lengths to reject "noncomputer" business method inventions. In fact, the Patent Office has recently been relying on an unpublished decision — *Ex parte Bowman*, 61 USPQ2d 1669, 1671 (Bd. Pat. App. & Inter. 2001) — to support its rejections. This unpublished decision was issued by the Patent Appeals Board of the Patent Office, not a federal court, and is not even binding precedent of the Board.

A representative Patent Office rejection of a business method patent application that does not require a computer typically goes something like this:

Patent Office: The claims as presented do not claim a technological basis. Without a claimed basis, the claim may

be interpreted in an alternative as involving no more than a manipulation of an abstract idea and therefore non-statutory under § 101. In contrast, a claim that includes ... a structural/functional interrelationship which can only be computer implemented is considered to have a technological basis. See *Ex parte Bowman*, 61 USPQ2d 1669, 1671 (Bd. Pat. App. & Inter. 2001) — used only for content and reasoning since not precedential.

To overcome the 101 rejection above, the following preamble is suggested: A computer implemented method for ... or something similar. Also, in the body of the claim, include structural/functional interrelationship which can only be computer implemented.

This logic being used to reject business method patents is contrary to *State Street*, which is binding on the Patent Office. *State Street*, which is not even mentioned in this decision, states that business methods should not be rejected just because they are business methods — they should be evaluated as to whether they are new and unobvious as required by 35 USC §§ 102 and 103 .

The *State Street* court even noted an example from a 1908 case that "a new and useful system of cash registering and account checking" (obviously with no computer involved) might be patentable if, at the time such a patent application was filed, there was, hypothetically, "no system of bookkeeping of any kind in restaurants." *State Street*, 149 F.3d at 1376.

In the end, it seems evident that the district courts and/or the Federal Circuit will need to revisit this issue. Once this occurs, the courts should again, and more clearly, direct the Patent Office to follow *State Street* and not require that a computer be involved in a business method to be patentable.

Until then, however, I counsel

most of my clients to file new, useful, and nonobvious business method patent applications with claims to inventions that are both “computer dependant” and “computer neutral,” as the Patent Office’s new policy may and

should change. While the current policy makes it impossible to guarantee that they can obtain a patent on a pure business method, I tell them that my colleague’s Patent Rule No. 6 provides: you have a 100 percent chance

of not obtaining a patent on a patent application that you do not file. If they like golf, I then tell them this rule is like my friend’s Golf Rule No. 16: 100 percent of putts left short do not go in the hole. ■