

PATENTS ON METHODS OF DOING BUSINESS

by Michael A. Mann

As a federal judge from the Court of Appeals for the Federal Circuit recently put it, the State Street Bank decision from a few years ago started “a virtual land rush” for business method patents. This statement is pregnant with truth.

An inventor of a new machine, article of manufacture, composition of matter, or method for making or using something can apply for a utility patent. Historically, the examiners at the Patent and Trademark Office would reject claims to inventions if the invention fell into one or more exceptions. One of these exceptions has been the so-called “business method” exception. In State Street Bank, the Court of Appeals for the Federal Circuit said that there was no basis in the law for rejecting patent claims simply because they were directed to a method for doing business. A business method was just as much entitled to a patent as any other method.

Two other exceptions that have also been applied by examiners in rejecting patent claims are the so-called “printed matter” and “algorithm” exceptions which have both been applied to reject claims to software-based inventions. Use of these exceptions, while still valid in general, have been dramatically curtailed with respect to software. Software is inherently a method for programming a computer and, once that computer has been programmed, it is transformed into a new machine. Several decisions that convinced the Patent Office to stop rejecting software-based inventions as “printed matter” or as “algorithms” were handed down in the middle 1990s by the Court of Appeals for the Federal Circuit.

In truth, patents on both business methods and software-based inventions have been issued for years, long before these decisions. However, the issuance of patents for “methods of doing business” or software-based inventions depended on the examiner assigned to examine the application.

These two events: the acceptance of business method inventions and the acceptance of software-based inventions, have coincided at a time when most needed. The explosion of the use of software-based business methods on the internet has transformed our society. Patents on these types of inventions can be very valuable. A dramatic example of the power of a patent used in cyberspace occurred late in 1999 when Amazon.com was able to stop Barnes&Noble.com from using its patented “one-click” check out system at the height of the holiday buying season.

The challenge for today’s business people, as well as today’s patent attorneys, is to expand their views as to what is patentable. The law clearly lists the types of inventions that are patentable and the tests for patentability: machines, articles of manufacture, compositions of matter and methods are patentable if they are useful, novel and non-obvious. How far can we go?

Suppose you were the first person in the world to think of the idea of a 2-for-1 sale. Let’s say all the other retailers had simply discounted merchandise when they wanted to sell it more quickly. Would, for example, a 2-for-1 sale be patentable over a 50% off sale? Strictly speaking, this invention can be described as a method, and few would dispute that it is a “method for doing business. In particular, it could be viewed as a method for reducing inventory, a useful thing to do. Moreover, in this hypothetical, it is novel. The remaining issue is whether this novel, useful method is obvious or not.

Many people would quickly conclude that a 2-for-1 sale is either the same thing as a 50% off sale or an obvious variation of it. However, a 2-for-1 sale moves more inventory than a 50% off sale: buyers at a 2-for-1 sale will buy items in pairs; those at a 50% off sale buy single items. There is also a sense among buyers at a 2-for-1 sale that they are being given a valuable gift, namely, the “free” second item when they pay full price for the first item. With some supporting statistics showing that a 2-for-1 sale is more effective in reducing inventory than a 50% off sale, perhaps even evidence that other retailers had copied the idea once you introduced it to help you convince a patent examiner that the idea was non-obvious, a patent could be obtained.

While this hypothetical may be a little extreme, it is intended to demonstrate a broader way of looking at ideas and to ferret out those that might actually be candidates for patent protection. There may be nothing standing in your way but your imagination.