



BUSINESS METHOD PATENTS:

A UNITED STATES PERSPECTIVE

Robert L. Stoll

Administrator for External Affairs

United States Patent and Trademark Office

19 September 2001

Business Methods Topics

- ✦ Eligibility Requirements for Inventions in the U.S.
- ✦ Advantages of Vigorous Protection for “Business Method” inventions
- ✦ Administrative Challenges and the USPTO Response

What is a Business Method?

- ✧ “Business Method” is a generic term that has been used to describe many types of process and apparatus inventions.
- ✧ “Business Method” inventions are treated in the same manner under U.S. law as any other claimed invention.

Eligibility

- ✧ “The Congress Shall have the power ... to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries.” U.S. Constitution, Article I, Section 8

Eligibility

- ✧ 35 U.S.C. 101: “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”
- ✧ There is no “technical effect” or “technical contribution” requirement for patent eligibility in the United States.

Eligibility

- * The U.S. Supreme Court has identified three categories of subject matter that are not patentable: (1) laws of nature, (2) natural phenomena, and (3) abstract ideas.
- * In order to be eligible for patenting, a business method invention must be more than a manipulation of an abstract idea.

Eligibility

- * USPTO and the U.S. Courts look to whether the claimed invention “as a whole” has a practical application that produces a “useful, concrete and tangible result.”

Eligibility

- * *In re Alappat*, 33 F.3d 1536 (Fed. Cir. 1994)
- * Inventions containing mathematical formulas or algorithms are not unpatentable if they contain otherwise patentable subject matter.

Eligibility

- ✧ *State Street Bank v. Signature Financial Group, Inc.*, (Fed. Cir. 1998)
- ✧ Explicitly rejected notion that a “business method exception” existed under U.S. law.
- ✧ Data processing system is patentable because it produces a “useful, concrete and tangible result” and is therefore not merely a manipulation of an abstract idea

Patentability under U.S. Law

- * Once an invention is considered eligible for patent protection, it must then meet the additional requirements for patentability.
- * Three major requirements:
 - * Utility, Novelty, Non-Obviousness

Filings

- * *State Street* confirmed the patentability of the business method claim.
- * FY 1998 - 1300 filings in Class 705
- * FY 1999 - 2600 filings in Class 705
- * FY 2000 - 7800 filings in Class 705
- * Only 2.6% of total filings in USPTO in FY 2000

Business Methods - History

- * First Patent Statute - 1790
- * First Financial Patent granted in 1799 for “detecting counterfeit notes”.
- * The first automated business data processing method patent issued in 1889 for a method for tabulating and compiling statistical information for businesses.

Advantages of Protection

- ✧ U.S. Patent system encourages innovation
- ✧ Increase in investment and development in computer-related processes due to e-commerce and the internet
- ✧ This has led developers in these emerging areas to seek patent protection for deserving inventions

Advantages of Protection

- * U.S. law does not provide a particular classification, definition, or any special treatment for “business methods” inventions.
- * To relegate “business methods” to lower status would cause deserving inventions to go unprotected and investment to go unrewarded.

Advantages of Protection

- * Concern: Business method patents will stifle innovation and investment.
- * Response: The availability of patent protection in cutting edge technology has and will continue to facilitate the birth and growth of entire industries.

Advantages of Protection

- * Patent system is neutral as to field of endeavor and is designed to evolve based on the demand for protection.
- * The U.S. patent system has responded to wave after wave of new innovations in ever changing fields.

USPTO Challenges

- * Criticism: Claims are unduly broad and may lack novelty or non-obviousness
- * Solution: DO NOT remove protection from deserving inventions, but improve search and examination.

USPTO Challenges

- * USPTO has established “Electronic Information Centers” that provide examiners in computer-related technologies with access to over 900 databases, of which over 300 contain business and financial information.

USPTO Challenges

* Business Methods Patent Initiative:

- Expand Current Search Activities - New Mandatory Searching.
- "Second Layer" of Review
- Improve Industry Outreach - Roundtable Discussion, Business Methods Partnership

USPTO Challenges

- * 37 CFR 1.105 -
- * Gives Patent Examiners the explicit authority to request information reasonably necessary to properly examine the application.

USPTO Challenges

- * New Business Methods Patent Web Page:
- * www.uspto.gov/web/menu/pbmethod

Conclusion

- * Patents have been shown to be an indispensable element for innovation, development and commercialization.
- * We should not hesitate to encourage new areas of innovation.
- * Protection of emerging fields is crucial in the age of information technology.

Contact Information

- * Robert L. Stoll
 - (703) 305-9300
 - Robert.Stoll@uspto.gov

- * USPTO
 - www.uspto.gov