

## The Effects of State Street

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## State Street

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- That which produces a “useful, concrete and tangible result” is generally patentable subject matter
  - Virtually anything is patentable
- Methods of doing business are patentable

## Overview

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- What's a "Business Method" (and do we care)?
- A few fun statistics
- Claiming the stuff
- Who's getting sued (and with what)?
- The PTO strikes back
- So does Congress

## What is a “Business Method?”

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- Recent court decisions?
- New patent legislation?

## What is a “Business Method?”

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- PTO Class 705: “Data processing: financial, business practice, management, or cost/price determination”
  - Class has existed over 20 years
  - Many claims are methods

## What did State Street do?

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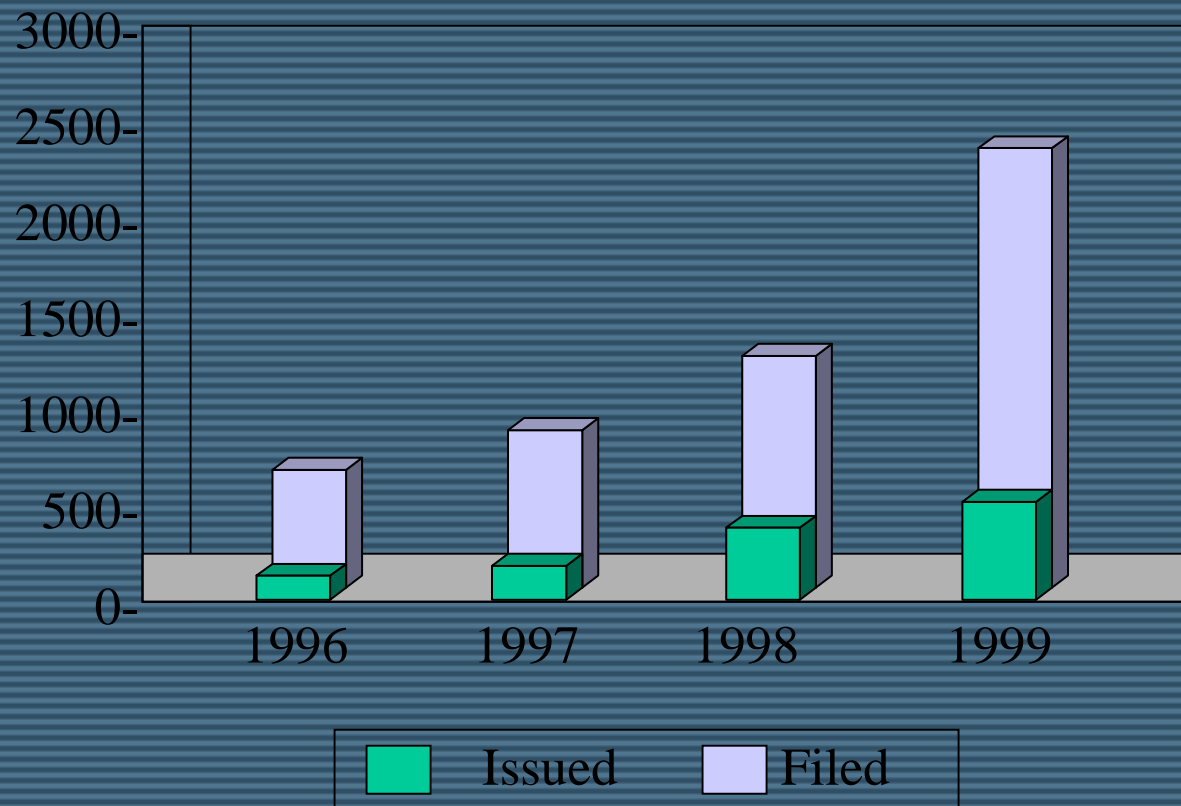
- Unambiguously affirmed “business method” patents were valid
- Brought to public attention that some very core areas of electronic commerce had been (and were being) patented
  - I.e. it’s been a catalyst

## The Effects of State Street

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- A few fun statistics

## Class 705: Issued Patents and Filings

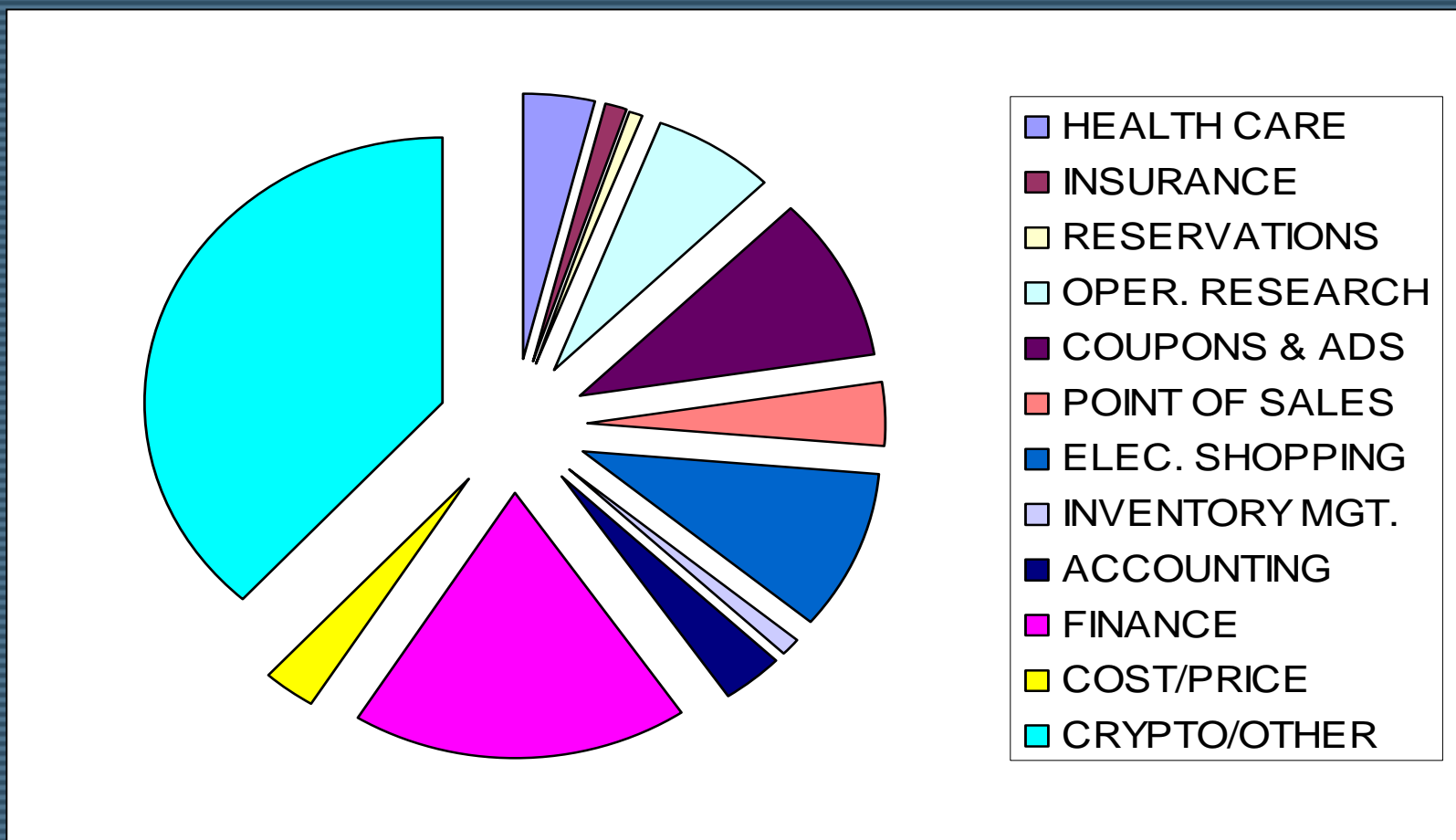


\*Courtesy of Gerald Goldberg, USPTO

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# ***Distribution of Business Cases***



\* Courtesy of Gerald Goldberg, USPTO

## The Effects of State Street

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- Claiming the stuff

## Types of Claims (General)

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- Device/system claims (including Means + Function)
- Method
- Method operating inside a system (e.g. inside a computer)
  - Can make claim appear more “statutory”
- Direct infringement?
  - Software reseller?

## “Computer Readable Medium” Claims

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Generally: “Functional descriptive material” on computer readable medium is statutory

- Computer Program on disk/storage
- Transmission
  - PTO “training” example: computer data signal embodied on a carrier wave
- Data structure

# Multi-Party Claim Issue

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## Multi-Party Claim Issue

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- Business method technology may involve many parties each performing a separate step of a method
- Claiming this type of technology could lead to issues of who (if anyone) is an infringer
  - Want to go after as many parties as possible for direct infringement
- To avoid problem, separately claim as many individual “pieces” (e.g., sub-steps) as logical, and from the viewpoint of potentially infringing parties

## Multi-Party Claim

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Example:

A computer-based method for purchasing an item online, comprising the steps of:

Receiving a purchase request from a user;

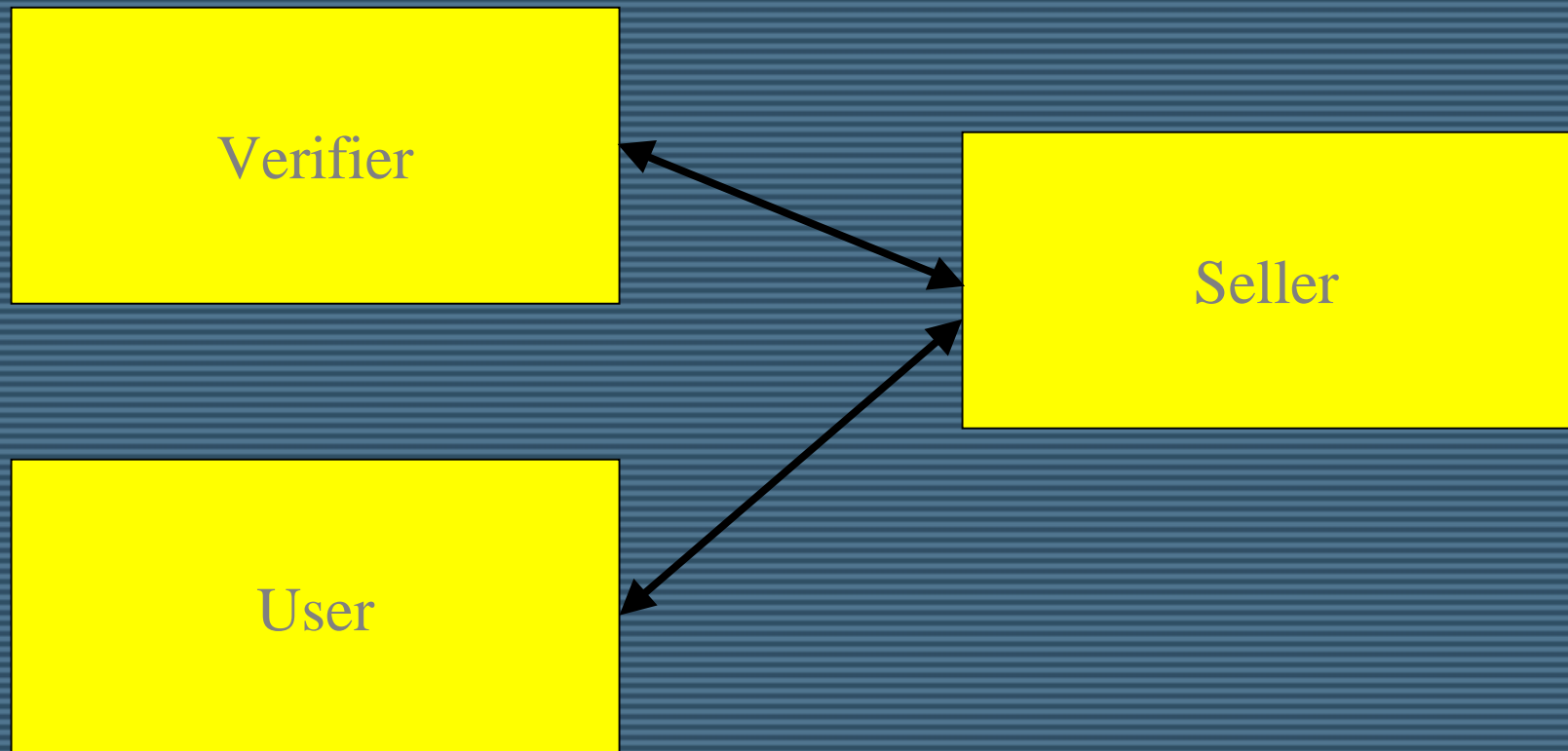
Receiving credit card information from said user;

Submitting said credit card information to a verifier for verification; and

Upon receipt of verification from said verifier, sending the requested item to said user.

## Potential Competitor

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# Multi-Party Method Claim (XYZ Algorithm)

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## Example claim:

A computer-based method for purchasing an item on-line, comprising the steps of:

Receiving a purchase request from a user;

Receiving credit card information from said user;

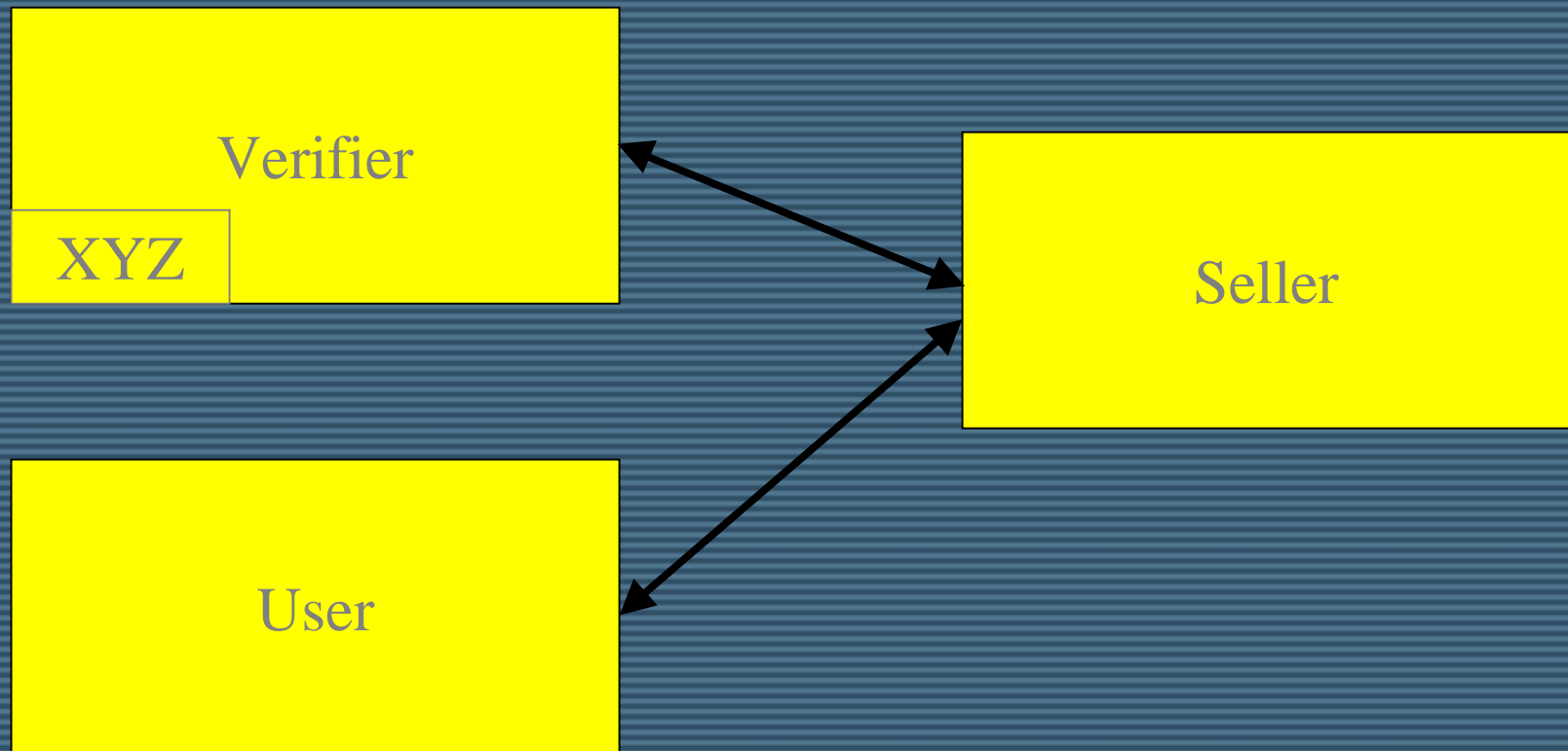
Submitting said credit card information to a verifier for verification;

Verifying said credit card information utilizing the XYZ algorithm to perform said verification, and;

Upon receipt of verification from said verifier, sending the requested item to said user.

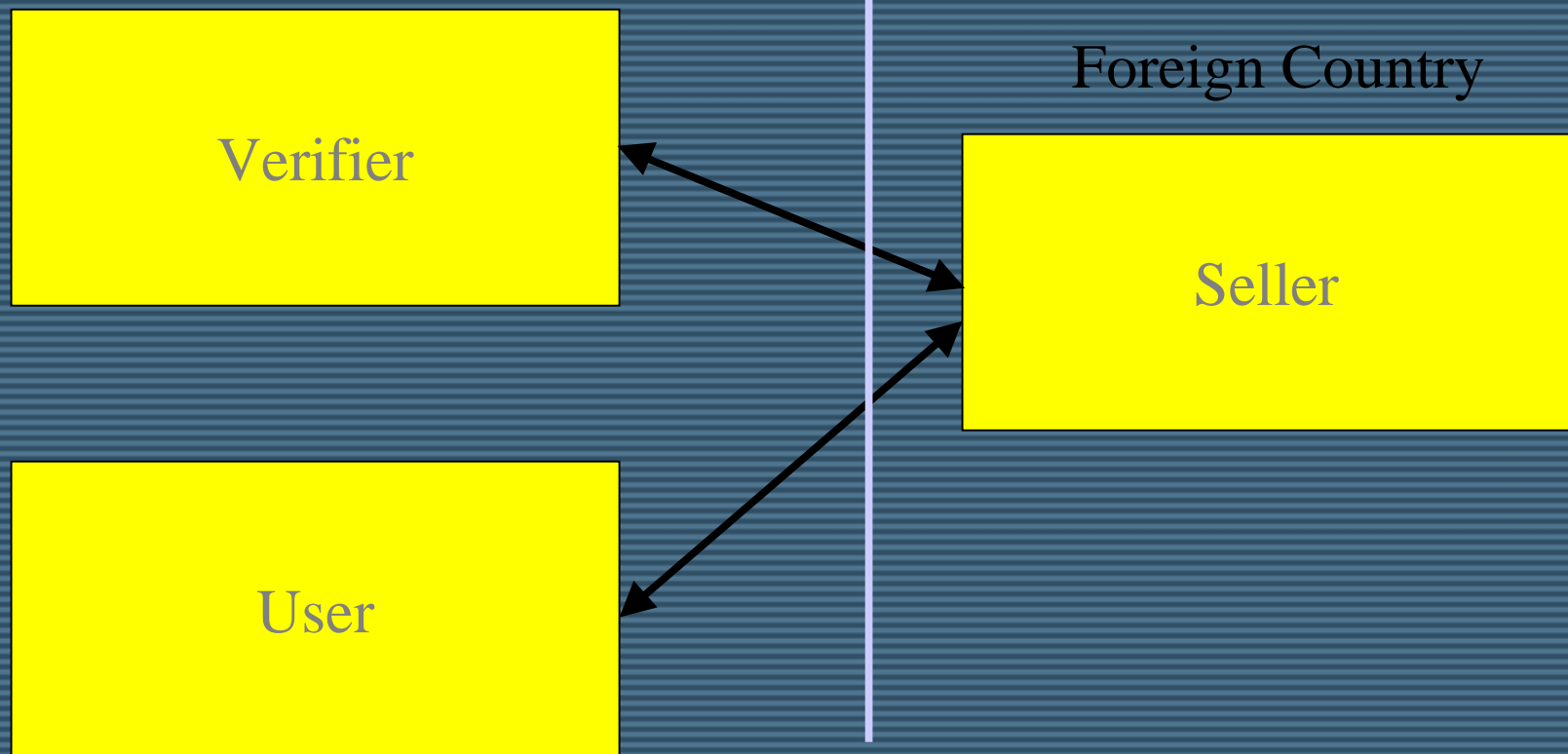
## Potential Competitor

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## Potential Competitor

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## Who's Getting Sued

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{Resulting, at least in part, from *State Street*}

## Intouch v. Amazon.com et al

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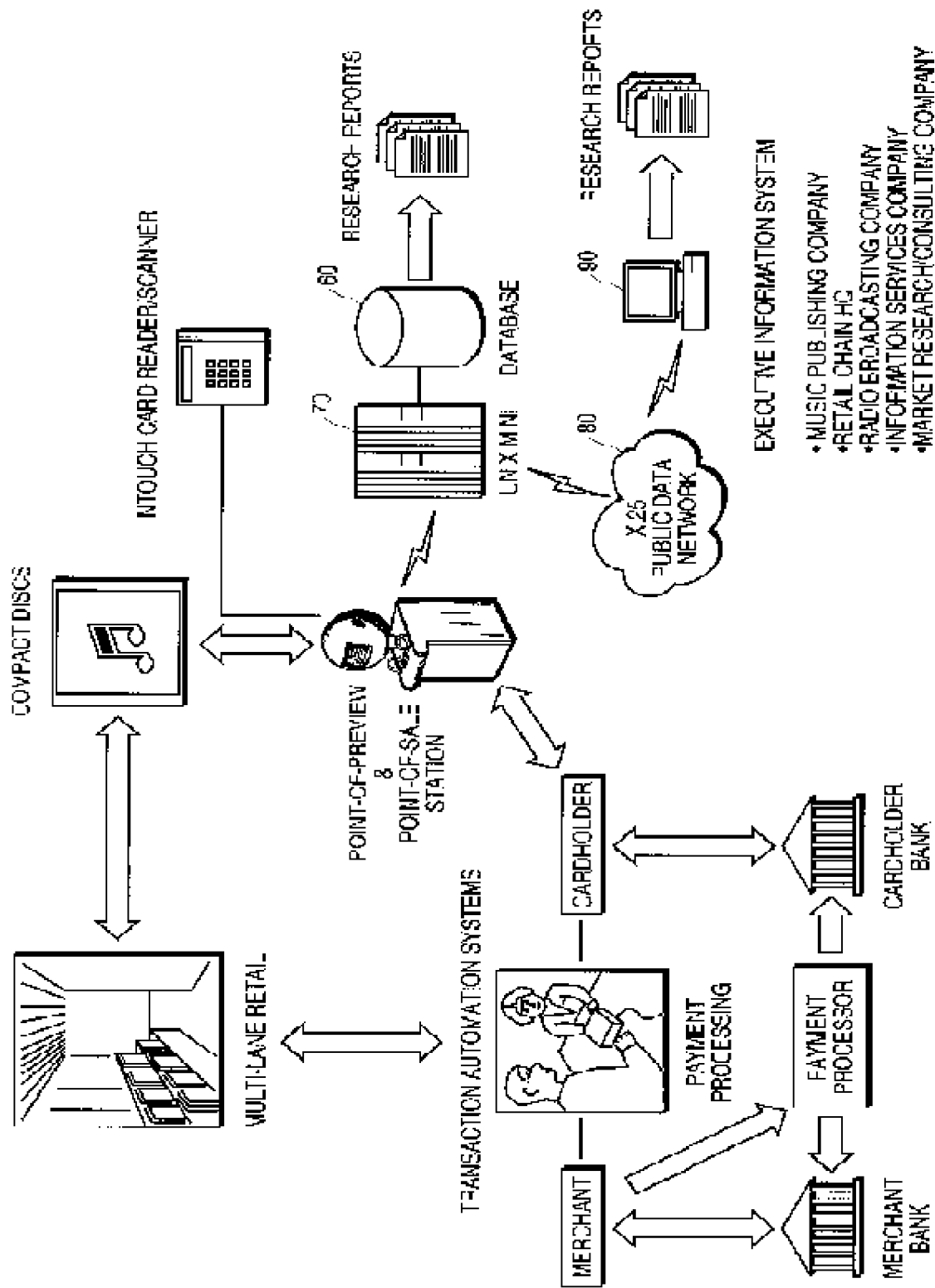


FIG. 2

## Intouch v. Amazon.com

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Claim 1 of Intouch patent (paraphrased):

Method for previewing portions of pre-recorded music from a web site, comprising the steps of:

using the user's computer to establish a connection to the web site;

transmitting a user ID to the web site;

choosing music to preview from the web site;

receiving the chosen portion of music; and

previewing the selected portion.

## Juno v. Qualcomm

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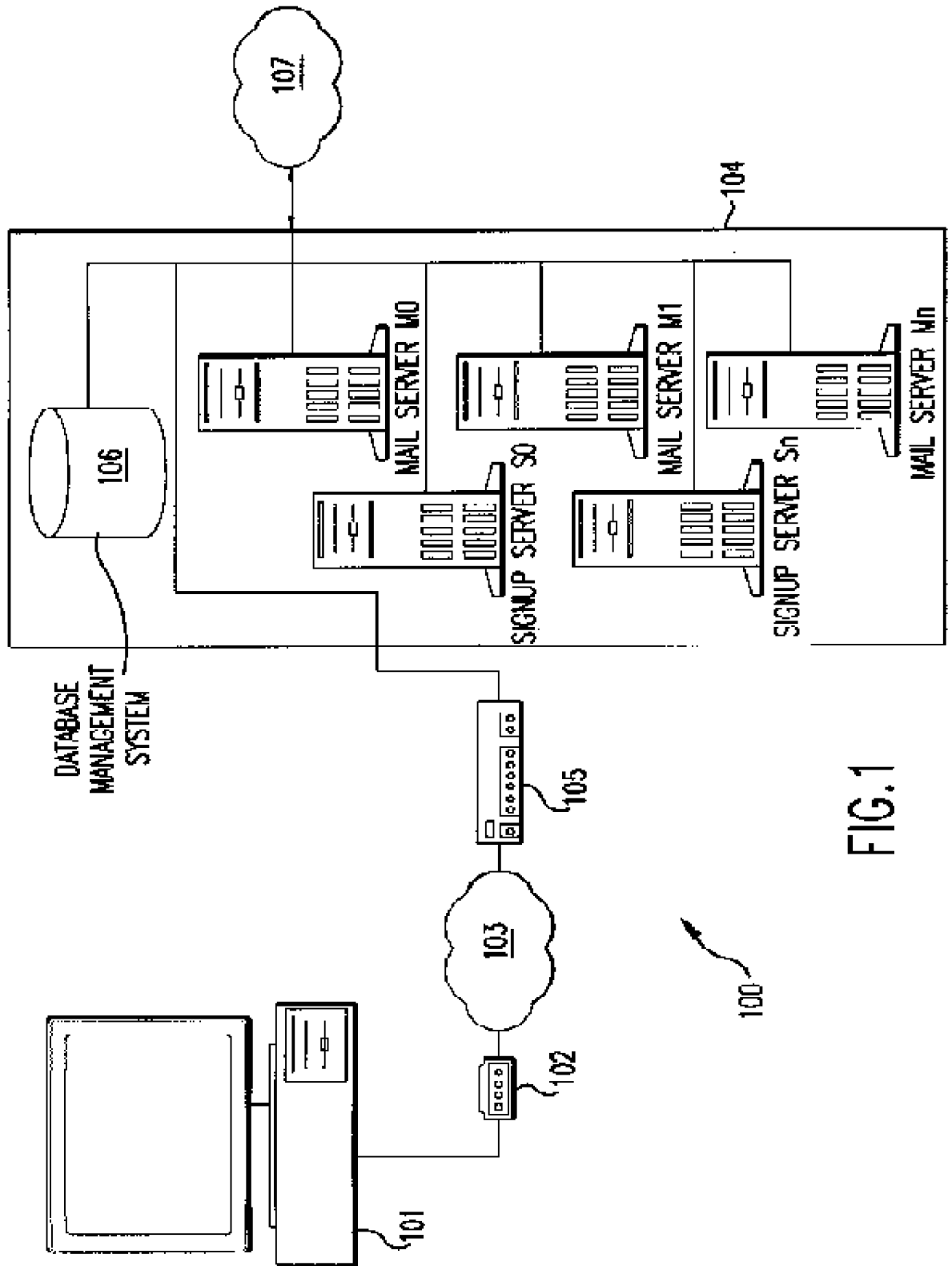


FIG. 1

## Juno v. Qualcomm

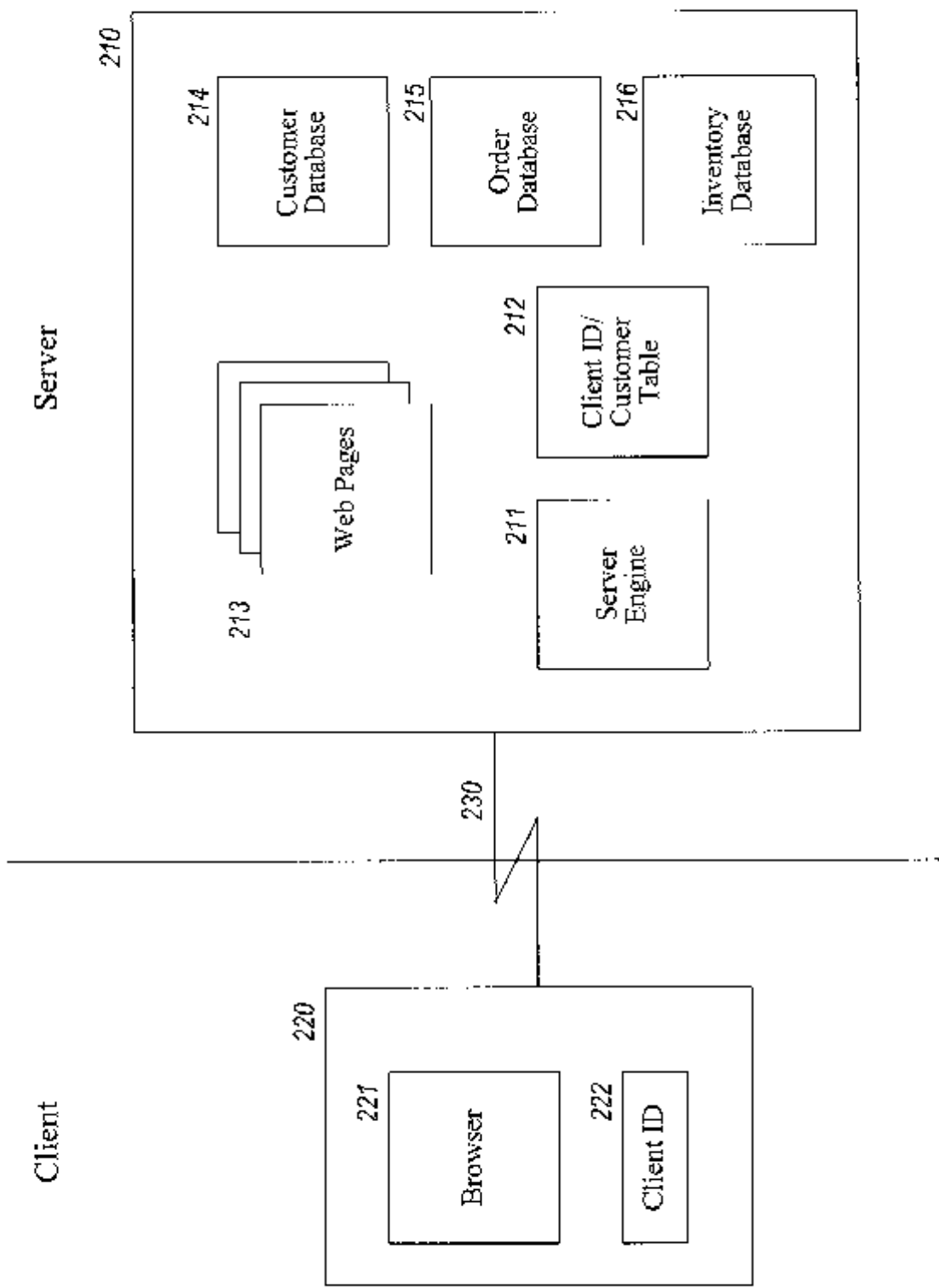
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Claim 1 of Juno patent (paraphrased): In an e-mail system, a method for displaying advertisements when the local computer is off-line, comprising the steps of:

- creating an e-mail message at the local computer;
- establishing communication with a remote system;
- receiving and storing an advertisement from the remote system;
- transferring e-mail to the remote system, and terminating communications; and
- outputting the advertisement at local computer while off-line.

# Amazon.com v. Barnesandnoble.com

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**Fig. 2**

# Amazon.com v. Barnesandnoble.com

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## Filed Su

- Amazon.com filed suit October 21, 1999

## Filed Su Filed Su

- Asked for PI & Damages

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- New on-line shoppers developing brand loyalties

# Amazon.com v. Barnesandnoble.com

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**12/1/99: Judge granted request for PI**

- Irreparable harm if Barnesandnoble.com permitted to use 1-click

**Barnesandnoble.com had alternatives:**

- Bn.com now requires users take additional action to confirm orders

# Appeal to Federal Circuit

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- Barnesandnoble.com arguing its invalidity and non-infringement defenses did not lack substantial merit, that Amazon.com was not entitled to presumption of irreparable harm
- Thus, injunction should not have been granted
- Oral argument “tentatively” scheduled for September, 2000

# Significance of Amazon.com Litigation

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- Amazon.com has a “victory” regardless of the ultimate outcome



## The PTO Strikes Back

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## Business Method Patent Initiative (Class 705)

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- Mandatory Search (including non-patent literature)
- Second review of all allowed applications
- Expanded sampling size for quality review
- In-process review of office actions

## Congress Does Too

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## First Inventor Defense

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- Part of recent patent reform bill
- Adds a new Section 273 to 35 U.S.C.

## First Inventor Defense

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### **Defense can be asserted by persons who:**

- Reduced a “method of doing or conducting business” to practice in the U.S. at least 1 year before the effective filing date of the otherwise infringed patent
- Commercially used the method in the U.S. before the effective filing date of the patent

## Definition of “Commercial Use”

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### **Commercial Use can be:**

- In connection with an “internal” commercial use
- An actual sale of a useful end result of the method
- Where the use is subject to a premarketing regulatory review period

## Definition of “Business Method”

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### **Section-by-Section analysis:**

- It can be “a preliminary or intermediate manufacturing procedure, which contributes to the effectiveness of the business by producing a useful end result for the internal operation of the business or for external sale.”

## Definition Limitations

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**Defense does not automatically extend to all claims in a patent**



## Definition Limitations (cont.)

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### **Defense is personal and not transferable**

- Except as part of a good faith transfer of all assets

## Other Aspects

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- If defense pleaded by one who then fails to demonstrate a reasonable basis for its assertion, the court shall find the case “exceptional” for the purpose of awarding attorneys fees
- A patent shall not be deemed invalid under Sections 102 or 103 solely because the defense is raised or established

## Effective Date

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- November 29, 1999
- Exception: Does not apply to any infringement action pending on that date

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