

The Effects of State Street

Scott M. Alter

Hale and Dorr LLP

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State Street

- 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

- 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?”

- Recent court decisions?
- New patent legislation?

What is a “Business Method?”

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

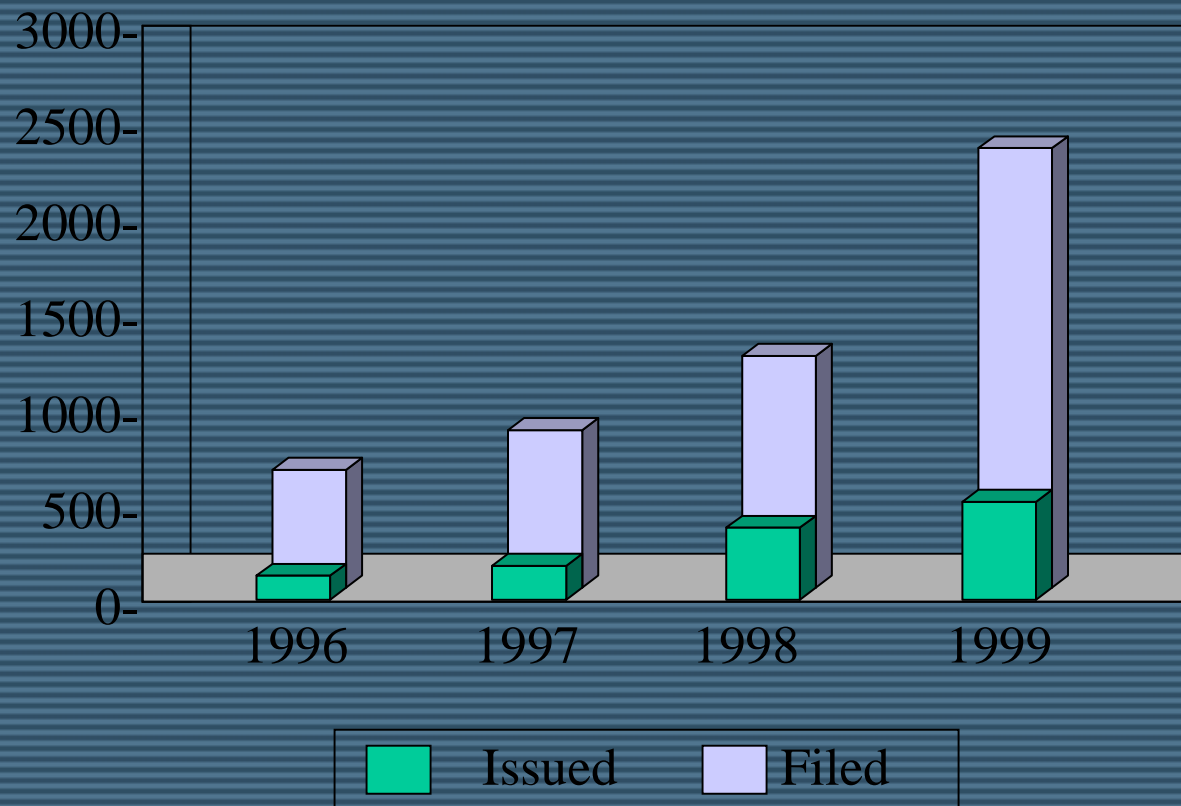
What did State Street do?

- 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

- A few fun statistics

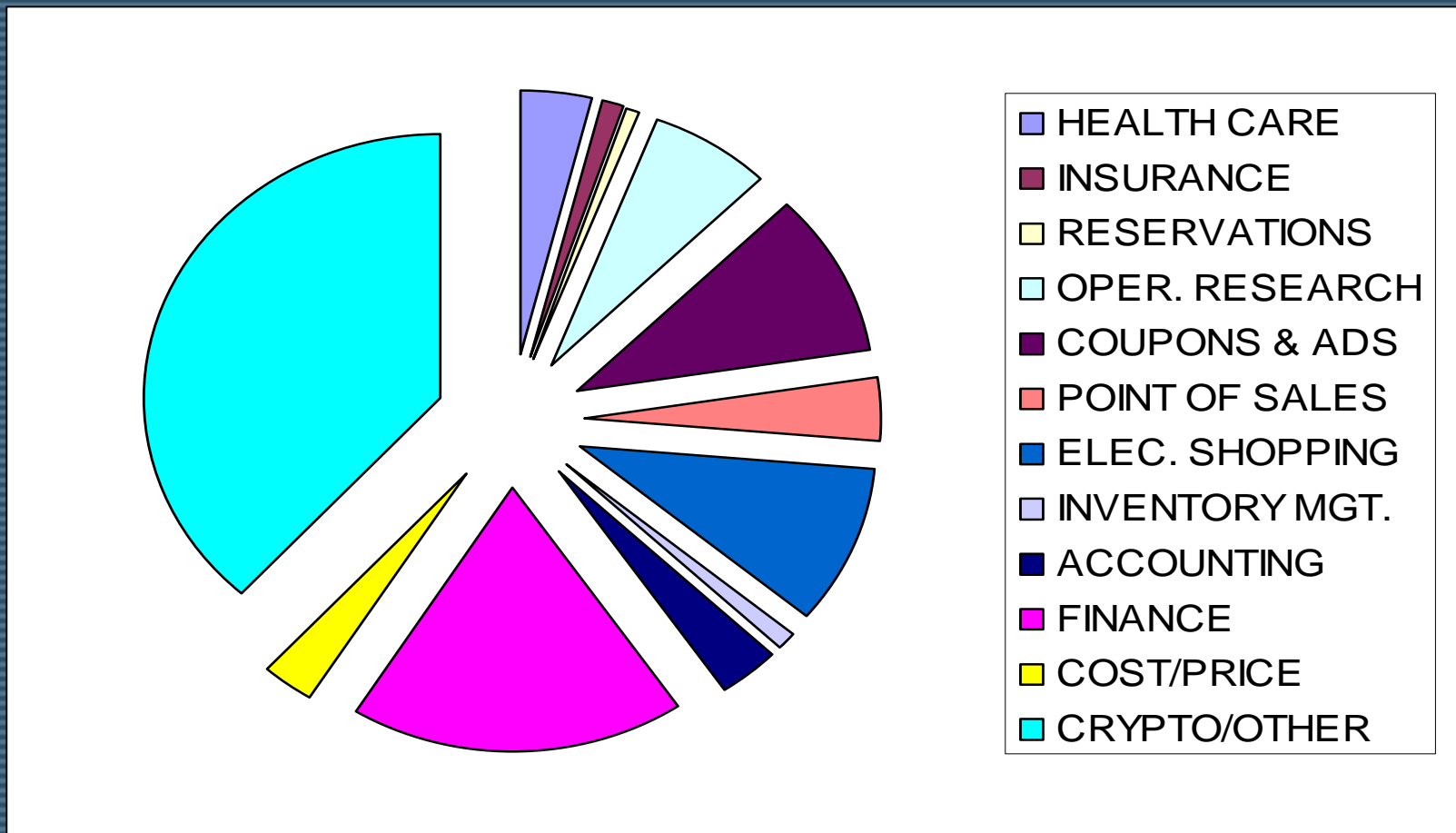
Class 705: Issued Patents and Filings



*Courtesy of Gerald Goldberg, USPTO

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Distribution of Business Cases



* Courtesy of Gerald Goldberg, USPTO

The Effects of State Street

- Claiming the stuff

Types of Claims (General)

- 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

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

Multi-Party Claim Issue

- 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

Example:

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

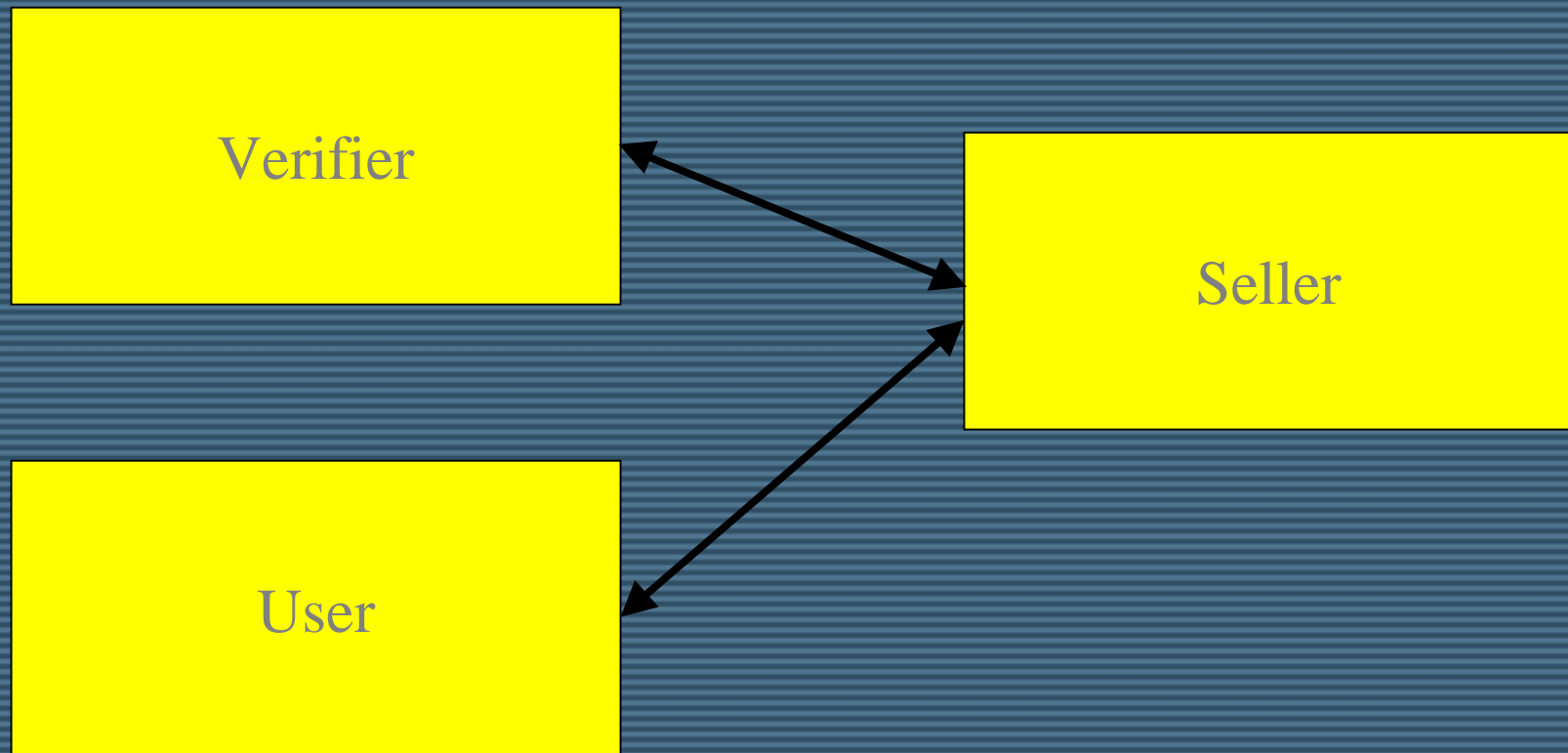
Receiving a purchase request from a user;

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



Multi-Party Method Claim (XYZ Algorithm)

Example claim:

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

Receiving a purchase request from a user;

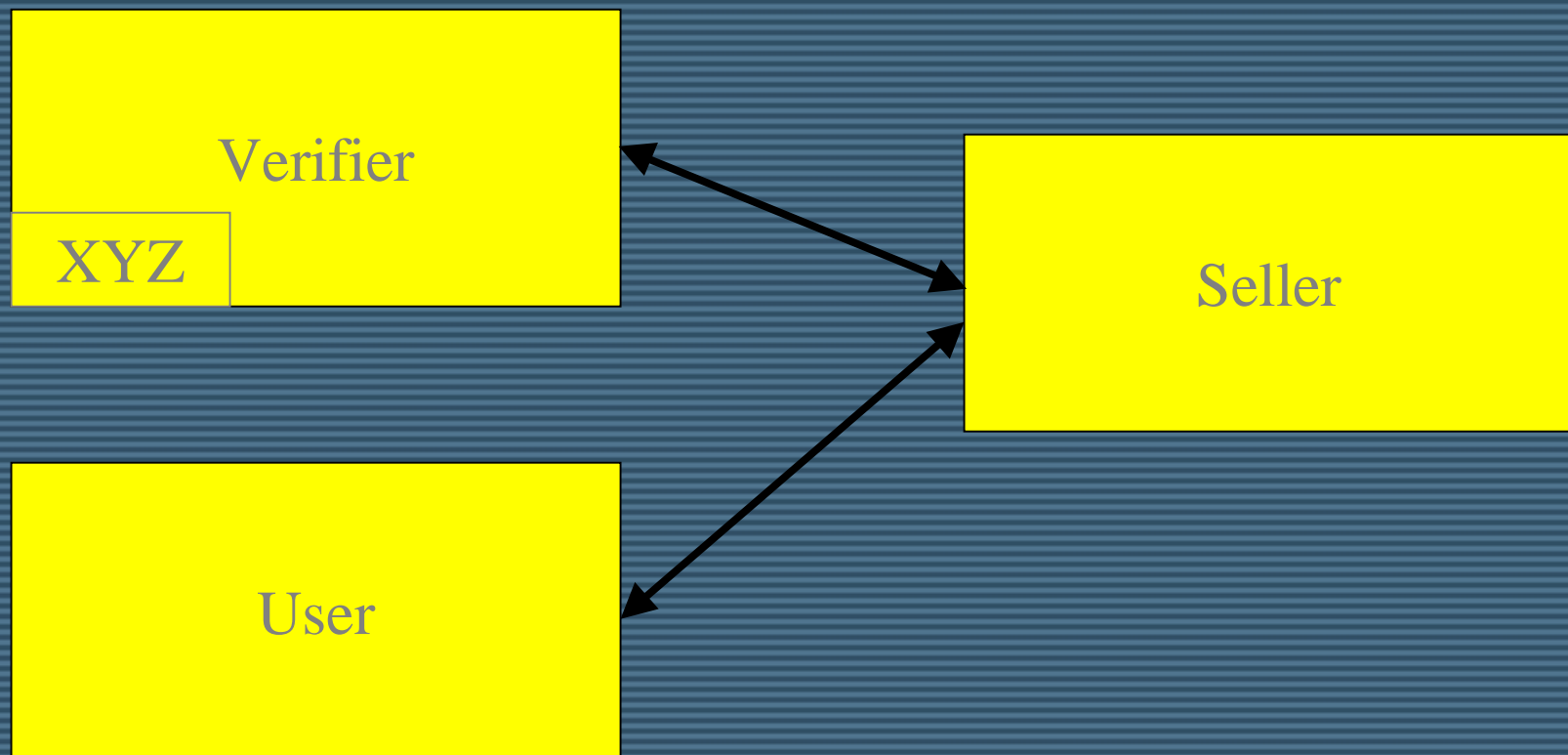
Receiving credit card information from said user;

Submitting said credit card information to a verifier for verification;

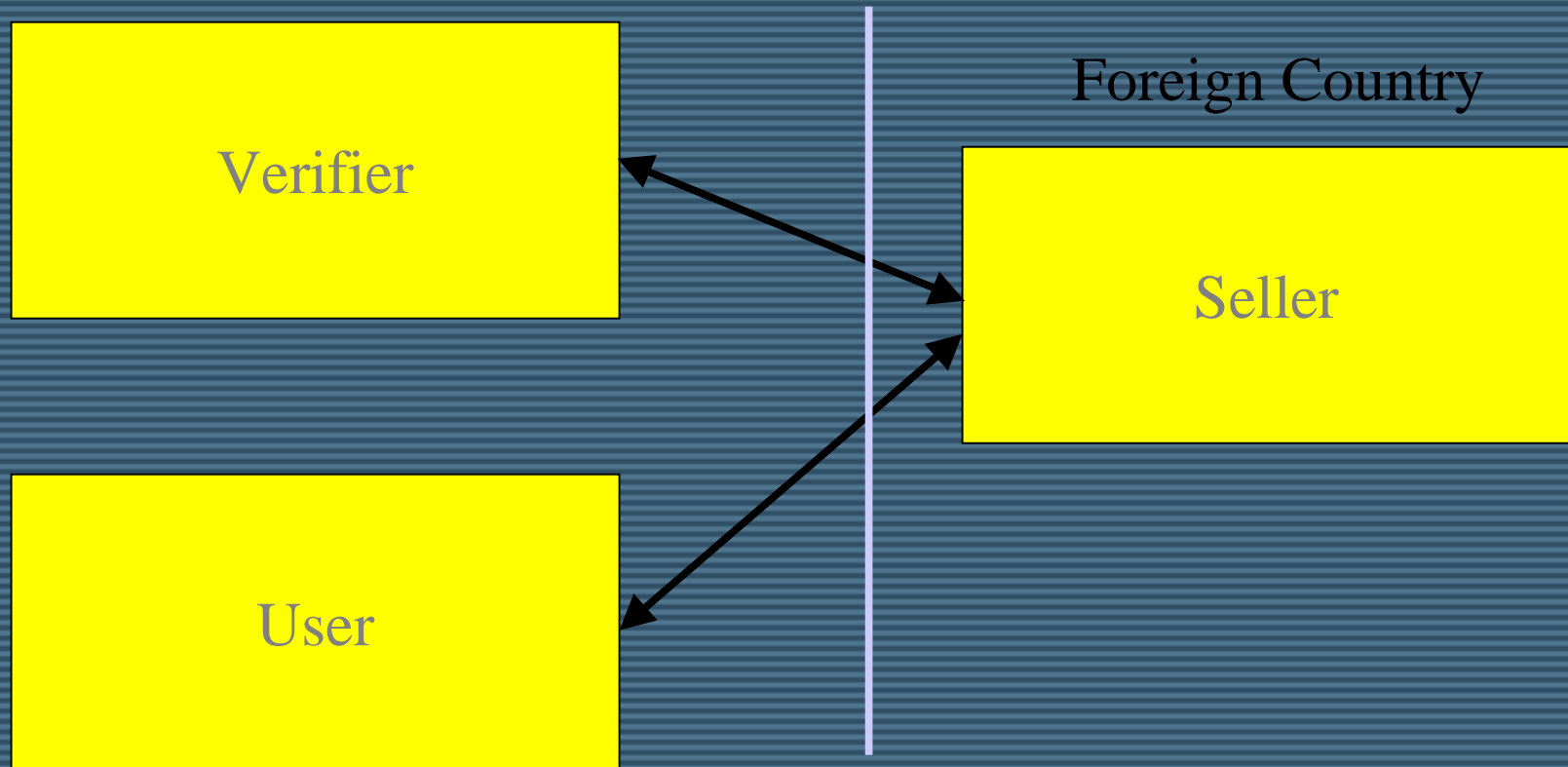
Verifying said credit card information utilizing the XYZ algorithm to perform said verification, and;

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

Potential Competitor



Potential Competitor



Who's Getting Sued

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

Intouch v. Amazon.com et al

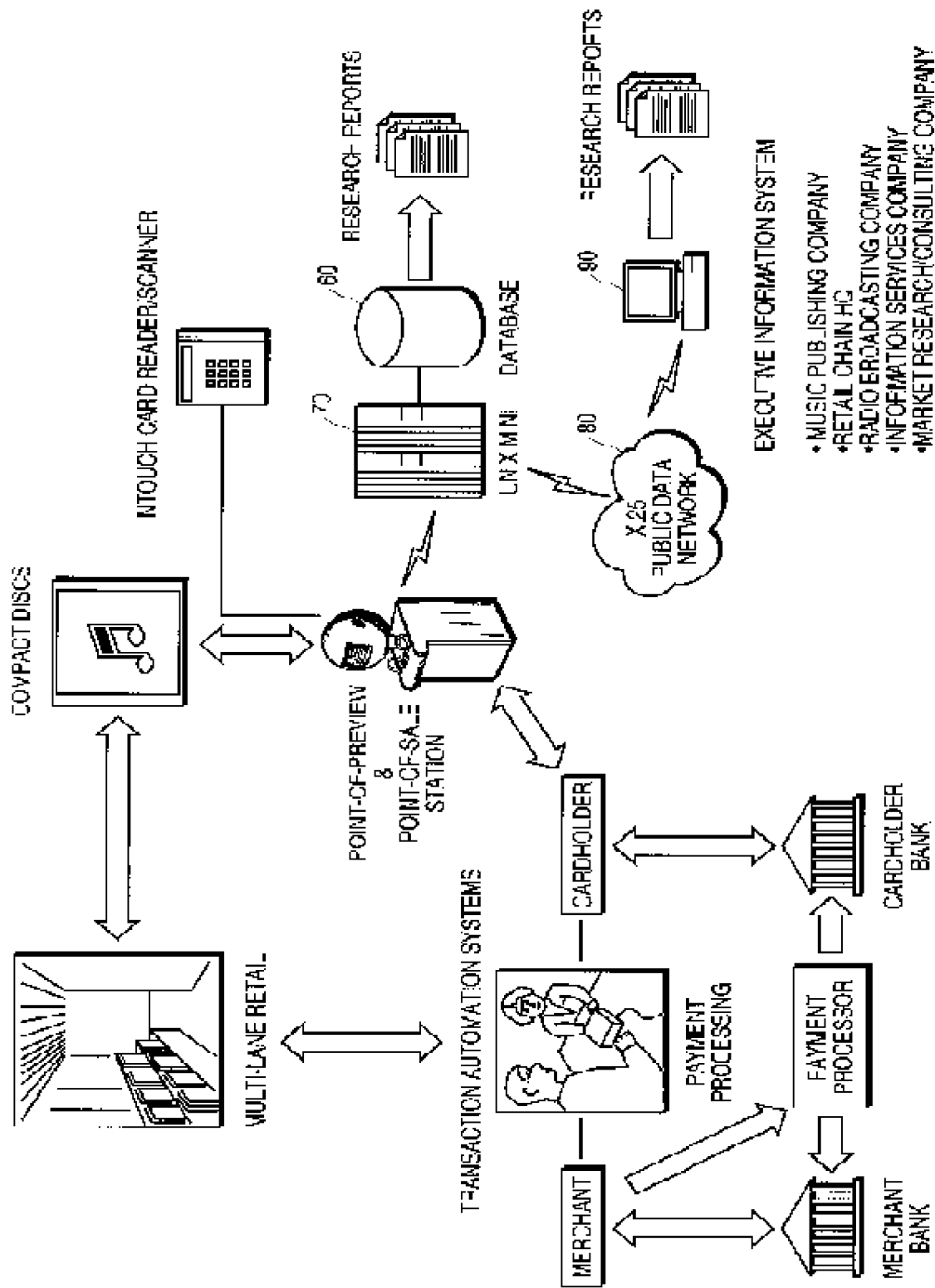


FIG. 2

Intouch v. Amazon.com

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

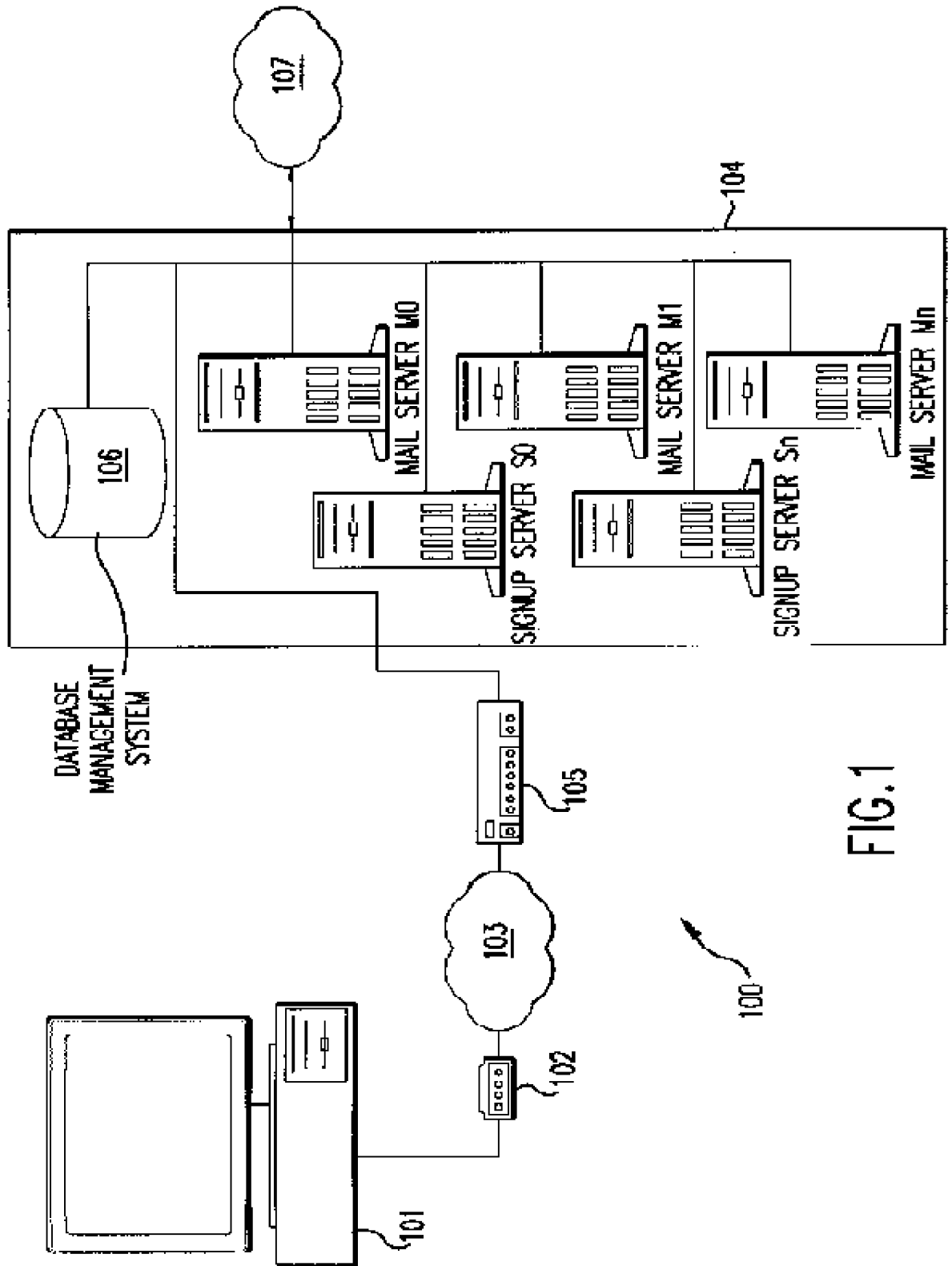


FIG. 1

Juno v. Qualcomm

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

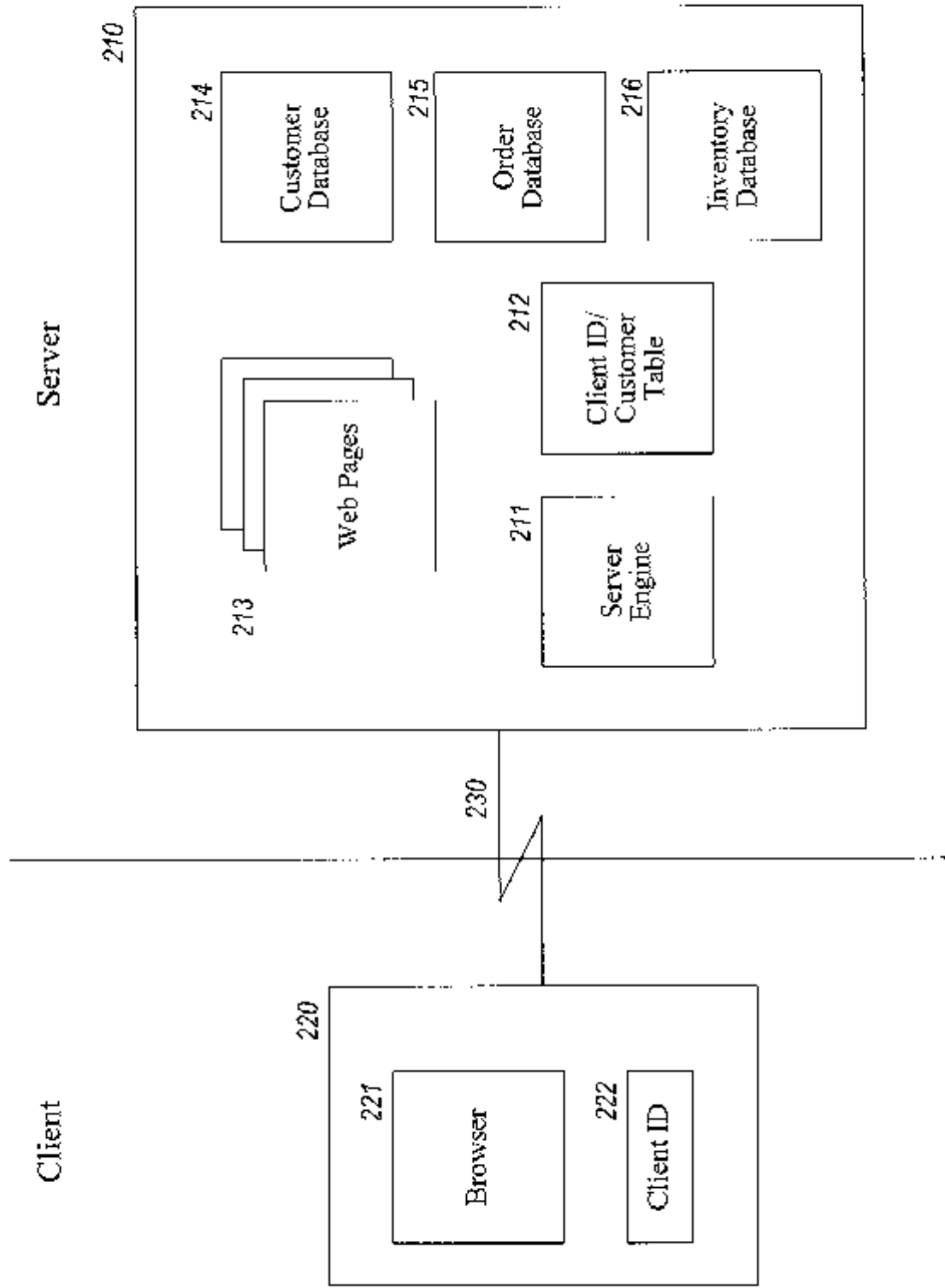


Fig. 2

Amazon.com v. Barnesandnoble.com

Filed Su

- Amazon.com filed suit October 21, 1999

Filed Su Filed Su

- Asked for PI & Damages

|

- New on-line shoppers developing brand loyalties

Amazon.com v. Barnesandnoble.com

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

- 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

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

The PTO Strikes Back

Business Method Patent Initiative (Class 705)

- 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

First Inventor Defense

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

First Inventor Defense

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”

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”

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

Defense does not automatically extend to all claims in a patent

Definition Limitations (cont.)

Defense is personal and not transferable

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

Other Aspects

- 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

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

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