

What are Business Methods?

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Can You Patent Your Business Model?, *Harvard Business Review*, July-August 2000

“What constitutes a patentable business model?”

“We distinguish between a business model, which is a general vision or strategy, and a business method, which is a specific way of doing business. In law there’s a four-part test....”

-- Q. Todd Dickinson, Director, USPTO

- Tim [O'Reilly]: How would you feel if a lawyer was able to patent an argument?
- [Q. Todd] Dickinson: If it was new and non-obvious, I wouldn't have a problem with it at all.
 - Interview by Stephen Pizzo, O'Reilly Network, 5/24/00

State Street Bank

We take this opportunity to lay this ill-conceived exception to rest. Since its inception, the "business method" exception has merely represented the application of some general, but no longer applicable legal principle, perhaps arising out of the "requirement for invention"--which was eliminated by § 103.

-- Judge Giles Rich, *State Street Bank and Trust v. Signature Systems*, CAFC, 1998

Abolition of rule against patents on business methods rests on Congressional intent:

The repetitive use of the expansive term "any" in § 101 shows Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101. Indeed, the Supreme Court has acknowledged that Congress intended § 101 to extend to "anything under the sun that is made by man." Thus, it is improper to read limitations into § 101 on the subject matter that may be patented where the legislative history indicates that Congress clearly did not intend such limitations.

-- Judge Giles Rich, *State Street Bank and Trust*

Giles S. Rich

“Congressional Intent –
Or, Who Wrote the Patent Act of 1952?”

First Annual Institute on Patent Law
Southwestern Legal Foundation
March 1963

“The purpose of this discussion is to convey an accurate picture of how the 1952 Act came to be written; who wrote it; how it was done; and the relative roles of the actual authors and the Congress....”

Senate Colloquy on the Patent Act of 1952

Senator Saltonstall: “Does the bill change the law in any way or only codify the present patent laws?”

Senator McCarran: “It codifies the present patent laws.”

“When the courts, in seeking to interpret the Act, go through the ritual of seeking to ascertain the ‘intent of Congress’ in adopting same, they would do well to look to the writings of these men – Frederico, Rich, Harris, and the others – as they, far more than any member of the House or Senate, knew and understood what was intended by the language used.”

-- Rep. Crumpacker as quoted in Giles S. Rich, Congressional Intent – Or, Who Wrote the Patent Act of 1952?

American Inventors Protection Act 1999

- creates “first inventor defense” (prior use rights) only for “methods of doing or conducting business”
- “[I]t is limited... to the *State Street Bank* case.”
 - Committee Chair Howard Coble,
Aug. 3, 1999

“Before the State Street Bank and Trust case....it was universally thought that methods of doing or conducting business were not among the statutory items that could be patented.... In recognition of this pioneer clarification of the law, we felt that those who kept their business practices secret had an equitable cause not to be stopped by someone who subsequently reinvented the method of doing or conducting... business and obtained a patent. We, therefore, limited the first inventor defense solely to that class of rights....” Rep. Manzullo, Aug. 3, 1999

late legislative history on the First Inventor Defense

- “It includes a practice, process, activity, or system that is used in the design, formulation, testing, or manufacture of any product or service” – Sen. Schumer and Rep. Nadler (separate statements)
- “a method for conducting business such as a preliminary or intermediate manufacturing process” – Subcommittee Chair Howard Coble
- “any kind of method, regardless of its technological character... used in some manner by a company... in the conduct of its business” – Sen. Lieberman

PTO White Paper -- March 2000

“Automated Financial or Management Data Processing Methods (Business Methods)”

“Automated business data processing itself dates back over a hundred years. The business method claim format has been used in various forms throughout that period. The increase in its use today is an inevitable end result of our progress over the last century.”

AIPLA Report on Business Methods

“Business methods are most frequently patented as implemented on a computer. Thus, many of the concerns being raised regarding the patenting of business methods are substantially the same concerns previously addressed by the Advisory Commission with reference to software-related inventions.”

IPO Statement on Business Method Patents

(approved unanimously by 50-member board – twice!)

- “IPO does not believe that Congress should legislate in the area of business method patents at the present time. Additionally, IPO is not aware of any legislative proposals today that merit serious consideration or debate.”
- “The standards for patentability for emerging technologies are identical to those of established technologies....”

“...[W]ith the advent of business method patenting it is possible to obtain exclusive rights over a general business model, which can include ALL solutions to a business problem, simply by articulating the problem.”

- IBM, Comments on the International Effort to Harmonize the Substantive Requirements of Patent Laws, May 2001

“[W]e do not support a more liberal approach. Namely, the lifting of the traditional requirement of a technical effect or contribution. The absence of such requirements would result in the possible granting of patents on purely theoretical concepts.”

– GE International, EC Consultation

European opinion on business method patents

“There was a good deal more agreement among respondents about business methods. Virtually all opposed patents for business methods where no computer is involved. The great majority also opposed patents for computer-implemented business methods if there is no technological innovation.”

-- UK Government's Conclusions

“Business Methods” per European Patent Office

“...concerned more with interpersonal, societal and financial relationships, than with the stuff of engineering - thus for example, valuation of assets, advertising, teaching, choosing among candidates for a job, etc.”

why is software different?

- fine granularity
 - complex product
 - value in integration, debugging
 - incremental innovation
- range of granularity
 - from code to concept (“business methods”)
 - enablement is designed, copyrighted protected
- network effects
 - open source
- documentation problem
- low barriers to entry
- culture of originality

why are business methods different?

- coarse granularity: abstraction and breadth
- not technology in the usual sense (but may preempt technological implementations)
- low barriers to entry
- some documentation issues

drawing the line in Europe

- **technicity** [I]n order to be patentable, an invention must be of a technical character to the extent that it must relate to a technical field, must be concerned with a technical problem and must have technical features in terms of which the matter for which protection is sought can be defined in the patent claim.
 - EPO press release, 8/18/00
- **social processes** (EC, proposed directive) = business methods and beyond = no technical contribution

conclusions

- define competency
- PHOSITA
 - difficulty in defining outside mature fields
 - only applied in litigation
- ignores growing reality of team-based innovation
- but low non-obviousness standard for combinations
- suggestion: eliminate dual standard
- be willing to draw lines