

**CCT206**  
**Assignment 2**

**“Business Method Patents:  
Breaking Down the Bricks”**

**Submitted by: Joyce Tanjuakio**

## **Business Method Patents: Breaking Down the Bricks**

Business process patents or business method patents (BMPs from now on) are utility patents that pertain to the methods of doing business. BMPs also enjoy the same protection as the utility patents, possessing a 20-year right of exclusivity from the filing date of the application. (Girasa, 2002) BMPs have been increasingly issued to digital enterprise companies that devise new ways of conducting business - for example, new online payment process. In recent years, there was a drastic increase from approximately 220 patents approved in 1995 to 1000 patents in 2000. (Poltorak & Lerner, 2002) Business Method Patents are important to the e-Commerce industry provided that patent offices offer more detailed provisions and criteria for what is considered patentable as a business method and improved application processes. A separate governing body for Business Method Patents will also provide a better solution to the debates and problems related to BMPs.

Business Method Patents frequently combine the Internet and business methodologies. In the United States, business process that is patentable, also known as a business process invention has to meet the following criteria: “(i) any invention which is a business method (including any software or other apparatus) and (ii) any invention which is comprised of any claim that is a business method.” (Girasa, 2002) These two criteria can be interpreted as three broad categories:

“1. Patents directed to the use of computers to perform traditional business functions

2. The so-called e-commerce category—patents directed to inventions pertaining to the Internet and electronic commerce
3. Patents directed to new methods of doing business that do not necessarily involve computers or the Internet” (Poltorak & Lerner, 2002)

For example, Amazon.com has successfully patented its “1-Click” system in September 1999 (U.S. Pat. No. 5 960 411) which is a method for completing online orders. The method allows the customer to bypass the credit card and address section of the purchasing process since Amazon.com is able to access this information from the customer’s computer. (USPTO) Amazon.com filed a lawsuit against BarnesandNoble.com after it has copied Amazon.com’s “1-Click” process but under another name, “Express Lane”. (Girasa, 2002) eBay Inc. also patented a business method. (U.S. Pat. No. 64 15 320) eBay Inc.’s patented method “involves a method and apparatus for presentation and management in an online trading environment” patented in 2002. (USPTO) The method also includes a process in which a customer can query to preview items that are for sale and thumbnail images that match the items that meet the query will be shown. Also, Priceline.com possesses a "Reverse Auction" Patent (U.S. No. 5,794,207), for a "method and apparatus for a cryptographically assisted commercial network system designed to facilitate buyer-driven conditional purchase offers" (USPTO) patented in 1998.

Proponents of BMPs, such as BMP holders themselves, favor Business Method Patents because many of these businesses are not traditional brick-and-mortar businesses. Internet businesses often lack capital assets which contribute to their low overhead costs.

This increases the likelihood for digital enterprises to be partial to business process patents since intellectual property, such as ideas and concepts, is their main and frequently their only asset. BMPs raise capital by receiving fees and royalties through the ownership of copyrights, patents and trademarks. Patents and even patents that are pending also attract to venture capitalists to new businesses. This is a fundamental nature of e-commerce. (Poltorak & Lerner, 2002)

With regards to business methods, patents are the best solutions to protecting a business method which can be considered an asset to some businesses. BMPs provide a better protection to business process inventions than Copyright using the same argument as to why software became patentable. Business processes especially on the Internet, are easily determined and can be copied readily. The patent law hinders reverse-engineering, something that is effortlessly done on the Internet, more effectively and sufficiently than Copyright. (Girasa, 2002)

Other advocates of BMPs claim competitive advantage with their business processes. For example, banner-ad company Coolsavings.com created advertising and marketing strategies and methods and patented them such as U.S. Pat. No. 5 761 648 , “Interactive Marketing Network and Process Using Electronic Certificates”, patented in 1998. (USPTO) Coolsavings.com believed that their process was unique and worth filing a lawsuit against E-Centives for patent infringement. As a result of the dispute, CoolSavings received a payment from E-Centives for the amount of \$650,000 for license fee with additional payments. CoolSavings was also given licenses under E-Centives’s patents without fees or royalties. (CoolSavings.com, 2000).

Japan Patent Office, along with the United States Patent Office, also has legislature with regards to awarding patents to business methods. The Japanese Patent Office believes that business method patents are valuable and of great influences to many industries. Although following the U.S. Patent Office's footsteps, Japan has created initiatives to improve the patent process such as creating user-friendly systems and expanded databases for prior-arts, clarification of standards as well as employing expertise in the technical field as examiners of patent applications. (JPO, 2000)

In Canada, according to the Canadian Intellectual Property Office (CIPO), patents are only awarded to physical embodiment of ideas. Processes are patentable as long as it yields something saleable and tangible; therefore, business methods, abstract theorem, computer programs and mathematical algorithms are not patentable under Canadian patent legislation. (CIPO)

The European Union Patents Office chooses to go a different path than the United States Patents Office. The European Union Patents Office, with regards to patentability of methods doing business, does not award patents to business processes, mathematical algorithms, presentations of information and computer programs, which are also not regarded as inventions, according to Article 52(2) EPC. However, there is an exception where “although methods for doing business, programs for computers, etc., are *as such* explicitly excluded from patentability, a product or a method which is of a technical character may be patentable, even if the claimed subject-matter defines or at least involves a business method, a computer program, etc.” (European Patent Office, 2000) Even though the European Patent Office has banned business methods from patents, many approved ‘inventions’ by the EPO appear to be similar to what is described by the

United States Patent Office as business methods. For instance, EPO Pat. No. EP0784279 patented in 1997, is described as a “Stateless Shopping Card for the Web”, which functions as a web shopping cart which does not maintain data files in the client or local server. (esp@cenet)

Critics of BMPs argue that they cause barriers to entry. Many businesses that play that patent game have big financial backing and can afford the expensive application process for patents and to file patent-based lawsuits. Small business, if it were to invent a new process, however, usually does not have the luxury of capital to apply for patents, which is important if the business is to compete with other digital enterprise firms. (Robinson, 2000) To avoid lawsuits, small businesses must also be careful to avoid imitating another company’s business method which also discourages the small businesses to enter the market. The business method patents inadvertently make the patent-holding business as a government sanctioned monopoly, enabling the owner to completely take-over the technology. Referring back to CoolSavings.com, it has acquired many patents and own 75% of the banner ad market on the net, making it difficult for others to enter the market. (Poltorak & Lerner, 2002)

Other opponents of BMPs also argue that patents are awarded in a hurry and without careful consideration. BMPs are frequently created without adequate description about the invention and details about prior art. The patent’s examiner must be able to research well about prior art. It is against the prior art that the examiner will measure the applicant’s non-obviousness and novelty against. Since BMPs are recent phenomenon, there are various prior art or prior methods that have been invented but are not recorded. (Poltorak & Lerner, 2002) The U.S. Patent Office as well as the Japanese Patent Office

are working to expand their records of prior art to minimize duplication and mistake on the examiner's part. Another failure in the examination process of patents is the examiner him/herself. The examiner must possess expertise technical knowledge to assess business method invention patentability. These problems can result higher probability that patents will be challenged and lose their validity. The Japanese Patent Office is working towards acquiring examiners with technical knowledge to minimize this problem. (JPO)

Some challengers of BMPs argue that BMPs 20 year patent protection will stifle creativity. Jeff Bezos, CEO of Amazon.com a company which holds many BMPs, agrees with this argument and works to reform the patent law for business processes. Bezos suggests that BMPs protection should be decreased from 20 years to 3-5 years and that public comment period in the patent application process should be 1 month. Bezos believes that the shorter ownership and sooner entrance of inventions into public domain will help foster innovation and decrease the harm of BMPs. (Bezos, 2000)

Business Method Patents are useful for businesses that consider their business methods as a competitive edge. BMPs provide sufficient protection and helps raise capital for digital enterprise businesses where intellectual capital is the primary asset. Critics say that BMPs can be easily abused by businesses because of the ability to patent every small business method that a company creates. This can create monopolies and barriers to entry. However, patent offices should be held accountable for this problem. Patent offices should be more aware and have sufficient knowledge and expertise to determine what business methods are and are not patentable. The criteria provided by the U.S. Patent Office are vague and there are many loopholes discovered along the way. The criteria which describe which business methods are patentable should be narrowed down

to particular details, like the Japanese Patent Office and their initiative towards clarification of specifications. Examiners of patent applications should have expertise of technical knowledge in order to make valid decisions on what should and should not be patentable. In this way, BMP abuse can be limited. Past challenged and invalidated patents should also be analyzed to discern which patents should not be patentable. In addition, detailed and comprehensive descriptions and published documents of patents and prior art must be made available and easily accessible to examiners and the public, in order to proliferate information about which inventions are already known.

Better yet, the legislation for business method patents should be revised, separate from traditional patent laws and Jeff Bezos agrees with this fact as he suggests having BMPs recognized as a fundamentally different kind of patent (Bezos, 2000). BMPs should also be handled by a separate governing body than what handles patents for brick-and-mortar businesses since applying old rules to a new phenomenon creates loopholes. Each problem that arises with regards to BMPs sets precedence since nothing like it has ever existed before. U.S. patent law was previously applied only if there is a concrete expression of the process, must like Canada's patent law, but with the introduction of BMPs, concepts and ideas of processes are patented which resulted in a rampant patenting by digital enterprises. Creating a separate governing entity can minimize these loopholes; focus on specific business method patent issues brought on by the information economy, thereby effectively dealing with problems.

Business Method Patents are valuable to the e-Commerce industry and could prove to be beneficial in the economy as a whole on the condition that patent offices provide better specifications on what is patentable as a business method and improve

patent application processes. A separate governing body for Business Method Patents is also a superior solution to the problems and controversies related to BMPs.

## Works Cited

BEZOS, Jeff (2000) “An Open Letter from Jeff Bezos On The Subject of Patents”.

Available Online at <[http://www.oreilly.com/news/amazon\\_patents.html](http://www.oreilly.com/news/amazon_patents.html)>

CANADIAN INTELLECTUAL PROPERTY OFFICE (CIPO). “A Guide to Patents: Patent Protection”. Available Online at:

<[http://strategis.ic.gc.ca/sc\\_mrksv/cipo/patents/pat\\_gd\\_protect-e.html#section02](http://strategis.ic.gc.ca/sc_mrksv/cipo/patents/pat_gd_protect-e.html#section02)>

COOLSAVINGS.COM (2004) “Press Release”. Available Online at

<<http://info.coolsavings.com/news/releaseDetails.asp?ID=128&CS=undefined>>

esp@cenet: The Europe’s Network of Patent Databases. Available Online at: <

<http://12.espacenet.com/espacenet/viewer?PN=EP784279>>

EUROPEAN PATENT OFFICE (EPO) “Patentability of Methods of Doing Business”

from Press Release 2000. Available Online at: <[http://www.european-patent-](http://www.european-patent-office.org/news/pressrel/2000_08_18_e.htm)

[office.org/news/pressrel/2000\\_08\\_18\\_e.htm](http://www.european-patent-office.org/news/pressrel/2000_08_18_e.htm)>

FISHMAN, Stephen (2002) “Web & Software Development: A Legal Guide, 3<sup>rd</sup> Edition.

Nolo.

JAPANESE PATENT OFFICE (JPO) “Policies Concerning Business Method Patents”.

Available Online at: <[http://www.jpo.go.jp/tetuzuki\\_e/t\\_tokkyo\\_e/tt1211-055.htm](http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/tt1211-055.htm)>

KESAN, Jay (2001) “Business Method Patents” Available Online at:

<<http://www.law.washington.edu/casrip/Symposium/Number7/3A-Kesan.pdf>>

POLTORAK, Alexander I. and Paul J. LERNER (2002) “Essentials of Intellectual Property”. John Wiley & Sons

ROBINSON, Edward (2000) “They Saved Small Business” from Fortune Small Business. Available Online at:

<<http://www.fortune.com/fortune/print/0,15935,360433,00.html>>

UNITED STATES PATENT AND TRADEMARKS OFFICE (USPTO)

Available Online at: <<http://www.uspto.gov/patft/index.html>>