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Patent Rules Make Process Protection a Challenge

By STEVEN R. HANSEN

SOMEWHERE, you remember hearing that business methods could now be patented. Great news, you thought, because you had just developed a new method of calculating insurance premiums, one that more accurately reflects the true likelihood of a tornado, accident or other type of covered event occurring.

You paid a company to search for old patents and publications to see if anyone else had ever used your method. No one had. Things looked good.

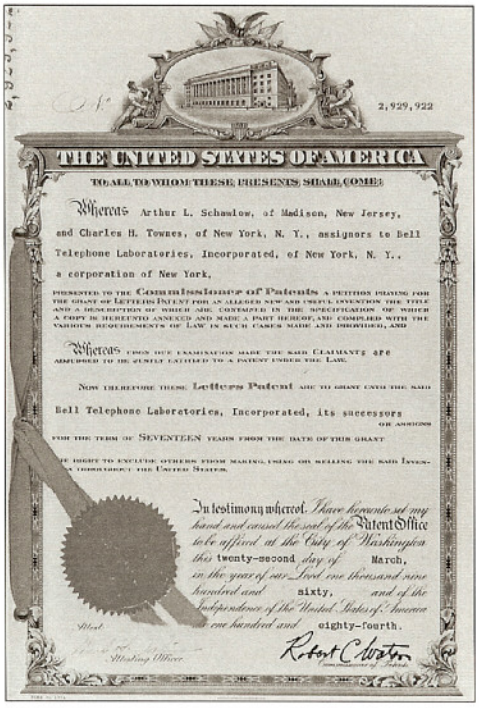
Your boss is excited at the prospect of outgunning the competition with this new method. Maybe you'll license the method to other companies, or maybe your company will keep the patent to itself and not let anyone else use it.

You could have opted to keep the method a secret. After all, who would know exactly how you were calculating premiums? However, now that business methods are patentable, you decided to go for the monopoly provided by a U.S. patent.

But the patent office rejected your business method patent application. The problem is that your invention is not considered "statutory subject matter." In other words, your invention is not the type or category of invention that is eligible for a patent.

How can that be if business methods are now patentable? The answer is that the patent office has other rules for determining whether inventions constitute statutory subject matter.

Worse yet, U.S. patent applications are now published 18 months after they are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THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

Whereas Arthur L. Schawlow, of Madison, New Jersey, and Charles H. Townes, of New York, N. Y., assignors to Bell Telephone Laboratories, Incorporated, of New York, N. Y., a corporation of New York,

PRESENTED TO THE Commissioner of Patents A PETITION PRAYING FOR THE GRANT OF LETTERS PATENT FOR AN ALLEGED NEW AND USEFUL INVENTION THE TITLE AND A DESCRIPTION OF WHICH ARE CONTAINED IN THE SPECIFICATION OF WHICH A COPY IS HERETO ANNEXED AND MADE A PART HEREOF, AND COMPLIED WITH THE VARIOUS REQUIREMENTS OF LAW IN SUCH CASES MADE AND PROVIDED, AND

Whereas UPON DUE EXAMINATION MADE THE SAID CLAIMANTS are ADJUDGED TO BE JUSTLY ENTITLED TO A PATENT UNDER THE LAW,

NOW THEREFORE THESE Letters Patent ARE TO GRANT UNTO THE SAID Bell Telephone Laboratories, Incorporated, its successors OR ASSIGNS FOR THE TERM OF SEVENTEEN YEARS FROM THE DATE OF THIS GRANT THE RIGHT TO EXCLUDE OTHERS FROM MAKING, USING OR SELLING THE SAID INVENTION THROUGHOUT THE UNITED STATES.

In testimony whereof I have hereunto set my hand and caused the seal of the Patent Office to be affixed at the City of Washington this twenty-second day of March, in the year of our Lord one thousand nine hundred and sixty, and of the Independence of the United States of America the one hundred and eighty-fourth.

Seal

Acting Officer

Commissioner of Patents

Goal: Licensing, competitive protection.

filed. Thus, you may find yourself having a publicly disclosed invention and no patent, allowing your competitors to use your invention free of charge.

By law, the classes of patentable subject matter are processes, machines, manufactures, compositions of matter and improvements thereof. Conversely, laws of nature, natural phenomena and abstract ideas are not patentable. For business methods, the problem is determining whether they are "abstract" ideas or ideas that are "useful, concrete, and tangible." The former cannot be patented, while the latter can.

Computerized financial calculations used to manage mutual fund portfolios are more likely to be awarded a patent than a marketing plan or a sales pitch.

Business methods are a type of "process." However, the patent office will only issue patents for those process inventions that are in the "technological arts." This means that the invention must somehow be linked to technology, such as computers or other physical devices. The patent office has issued patents for Amazon.com's "one-click" shopping method and Visa's financial risk prediction method, but business methods which have not involved computers or some other technology have not fared as well.

You may be able to craft your patent application so that your business method is linked to the "technological arts," but why should you be forced to do so? After all, you invented a method of doing business, not a computer or a piece of equipment. And by limiting your invention to a particular technological implementation, you may reduce the value of your patent by making it that much easier for a would-be infringer to design around it.

Unfortunately, until someone with the resources and willingness goes to court to challenge the patent office's "technological arts" policy, applicants will be forced to limit their business method patents accordingly.

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