

Business Method Patent Improvement Act: Creating a Different Class of Patent?

By **Steven J. Shumaker**, Shumaker & Sieffert, P.A.

The business method patent controversy continues. The latest salvos have been fired on Capitol Hill. According to Rep. Rick Boucher (D-Va.), “few issues in the 107th Congress will be more important than deciding whether, and under what conditions, the government should be issuing ‘business method’ patents.”¹ To that end, Rep. Boucher and Rep. Howard Berman (D.-Calif.) recently introduced a bill entitled the “Business Method Patent Improvement Act of 2000.”

Citing the issuance of “highly questionable” business method patents by the U.S. Patent and Trademark Office (PTO), Rep. Boucher suggests that the bill would “repair” a broken PTO system. In particular, it would help prevent issuance of business method patents that “stifle” development of new technology and “retard” continued development of the Internet.² The text of the bill, introduced in the House on Oct. 3, 2000, is available at <http://thomas.loc.gov/cgi-bin/query/z?c106:H.R.5364>.

Rep. Boucher believes that the bill strikes at the heart of the perceived problem: inadequate prior art resources at the PTO. The bill would require publication of all patent applications directed to business methods, and permit “public participation” in the examination process. In particular, following publication, any party could submit prior art for consideration by the examiner. Notably, the scope of the prior art submission could include not only patents and printed publications, but also evidence of prior knowledge or use, public use, or sale. The bill provides that such information *must* be considered during examination.

The Boucher-Berman bill also would create a post-grant opposition process for issued business method patents. As part of the process, for a limited period of time following issuance, any party could bring to the attention of the PTO evidence of unpatentability under §§ 101, 102, 103, or 112. Thus, a party could attempt to bring down a patent under a wide range of theories: nonstatutory subject matter, lack of novelty, nonobviousness, inadequate written description, enablement, best mode, and/or indefiniteness. The PTO is well-equipped to handle such issues on an ex parte basis. The bill appears to contemplate an inter partes proceeding, however, complete with exhibits, depositions, and even expert witnesses.

In addition, the Boucher-Berman bill would alter the obviousness standard for business method inventions. Specifically, the burden of proof in showing invalidity of a business method patent in any legal proceeding would be downgraded from “clear and convincing” to “a preponderance of the evidence.” In addition, §103 would be amended to create a presumption of obviousness for any business method invention that differs from the prior art only in the sense that it is computer-implemented. This measure would further the argument that simple computer automation of a prior art process is not worthy of patent protection.

Finally, the Boucher-Berman bill would require each business method applicant to disclose in the application the extent of a prior art search that has been conducted to “comply with the requirements of Title 35.” Because no prior art search is required to comply with Title 35, this

section of the bill seems a bit confused, particularly as it empowers the PTO Director to impose “appropriate penalties” for a failure in making the required disclosure.

Carving out exceptions in the patent law for one industry or technology area is not unprecedented. The American Inventors Protection Act of 1999 (AIPA)³, which provides a prior user rights defense for business methods, is a very recent example. In an earlier example, Congress enacted limitations on enforcement of patents for medical and surgical procedures.⁴ Thus, Congress is willing to enact “industry-specific” patent legislation when it is convinced a problem exists. Creating different patentability standards and examination processes for one class of invention, however, is uncharted territory.

In singling out one type of invention for special consideration, the Boucher-Berman bill would create two distinct classes of patents: (1) business methods and (2) everything else. When the next “new” technology emerges, the lack of adequate prior art resources at that time may dictate creation of a third patent class, and then a fourth, and so on. And when a technology matures, bringing with that maturity the more complete prior art collection that was previously lacking, would that technology be prospectively exempted from special treatment? In other words, when would special treatment for a new technology no longer be warranted? The patent system has lasted over 200 years and seen the arrival of a long line of “new” technologies without the need for significant subdivision of utility patents. Enactment of specific patent provisions for one technology area or another invites fragmentation of the patent system, and relies on broad and possibly unsupported assumptions about the state of the art in a given area.

Aside from the policy issues that support or dictate against special treatment, the most significant practical problem with the Boucher-Berman bill seems to be identification of those inventions governed by it. In contrast to the AIPA, the Boucher-Berman bill at least attempts to provide a workable definition for the elusive “business method” invention. In particular, the bill defines a business method as one for “administering, managing, or otherwise operating an enterprise or organization, including a technique used in doing or conducting business” or for “processing financial data,” and any computer implementation of those methods. The bill further includes in the definition of a business method any technique used in “athletics, instruction, or personal skills.”

Still, with this definition, it will be difficult to draw the line between software and hardware useful as business method platforms and the business methods themselves. If a database system is configured to deliver a particular business method, is the database subsumed by the business method? If a business method is characterized in terms of a particular technology platform or protocol, is it still fundamentally a business method or something that falls outside of the special provisions of the Boucher-Berman bill? Moreover, once classified as a business method or otherwise, could that classification change as the applicant amends or adds new claims? Can business method and non-business method claims be commingled in a single patent application?

The Boucher-Berman bill provides that the PTO, equipped with the definition above, will make a determination of whether any invention claimed in a patent application is a business

method. Importantly, the applicant may respond to such a determination by “amending the application, withdrawing the application, or otherwise.” Thus, the applicant would have the opportunity to “reform” the application. In this manner, an invention that was initially determined to be a business method fraught with scandalous prior art problems, could be recharacterized as a more traditional and upstanding technology. In some ways, enactment of the Boucher-Berman bill could herald a return to the Pre-Alappat “form-over-substance” school of claim drafting.⁵ In particular, practitioners would ask themselves “just how much structure (or platform detail) should I add to avoid the business method tag?”

The business method determination required by the Boucher-Berman bill would create another contentious hurdle in obtaining patent protection. To avoid the business method tag, and the unfavorable presumptions and procedural requirements that come with it, applicant resistance likely would be vigorous. Unfortunately, this could cause delay in substantive examination for applicants seeking protection for business method inventions, as well as those inventions an individual examiner may perceive as resembling a business method. And imagine the prosecution history estoppel that could arise from statements that the applicant is or is *not* seeking protection for a business method!

The Boucher-Berman bill is intended to combat the grant of invalid business method patents due to the PTO’s inadequate prior art resources, a cause with which everyone can agree. Pre-grant publication and post-grant opposition could serve as very effective checks against issuance of invalid patents, and provide a valuable supplement to the PTO examination process. Fixation on one technology area to the exclusion of others, however, makes those checks more difficult to implement and disadvantages one class of applicants. In the resulting “class struggle” (differentiating business methods from other technology forms), it is those disadvantaged applicants that could make life difficult for the PTO and the courts. Therefore, if any action is taken, Congress may be well-advised to follow a more egalitarian path.

Endnotes

1. Floor Statement at <http://www.house.gov/boucher/docs/bmpiastatement.htm>.
2. *Id.*
3. For background and text, see <http://www.uspto.gov/web/offices/dcom/olia/aipa/index.htm>.
4. See 35 U.S.C. § 287.
5. Before the Federal Circuit decision in *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), practitioners claiming software-related inventions often would attempt to satisfy the statutory subject matter requirement by claiming only enough “structure” as necessary to recite a statutory machine rather than a nonstatutory algorithm.

Steven J. Shumaker is a Principal of the intellectual property law firm of Shumaker & Sieffert, P.A. You can reach him at shumaker@ssiplaw.com or visit www.ssiplaw.com.