Patenting Business Methods

A White Paper of the
American Intellectual Property Law Association
Adopted November 27, 2000

Executive Summary

The growth of the computer industry has been phenomenal during the past several decades. As the industry has matured, increasingly it has turned to the U.S. patent system to protect its innovations. Widespread concerns about patenting computer-related inventions, particularly software inventions, were addressed by the Advisory Commission on Patent Law Reform in its 1992 Report. Since then, the application of U.S. patent law to software-related inventions has become well settled, and such patents have been applied for in rapidly increasing numbers each year. Recently, patents on business methods, including computer- and Internet-implemented business methods, have been criticized using many of the same arguments presented in the past with respect to software-related patents.

In response to those concerns and criticisms, the American Intellectual Property Law Association (AIPLA) recommends that business methods with useful, concrete or tangible results, including Internet- and software-implemented business methods, should receive the same treatment under the patent laws as other technologies. Where implemented in software, business method patent applications should be examined as software-related applications are examined today for compliance with the requirements of 35 U.S.C. §§ 101, 102, 103, etc.

The AIPLA sees no basis or need for discriminating against inventions related to business methods. No major changes in the U.S. patent laws or in USPTO procedures are needed in light of the increasing numbers of patent applications filed on business method inventions, although to address concerns of undue scope in issued patents, the AIPLA recommends the following changes in the U.S. patent law and in USPTO procedures:
- improvement of USPTO non-patent prior art collections, including improved classification of, and access to, prior art references submitted by applicants;
- enhancement of USPTO examiner skills and training;
- restoration to the USPTO of full use of fees collected from patent applicants and patentees;
- early inter partes reexamination of issued patents, without estoppel until appealed to the Federal Circuit;
- monitoring the effect of the recently enacted requirement for publication of certain applications after eighteen months; and
- clarification that the first inventor defense applies to all methods.
The American Intellectual Property Law Association is a national association of more than 10,000 members whose interests lie in the area of patent, copyright, trademark, trade secret, and other areas of intellectual property law. The AIPLA’s members include attorneys in private practice and attorneys employed by corporations, universities, and government, and represent both owners and users of intellectual property. Unlike many other areas of practice in which separate and distinct plaintiff's and defendant's bars exist, most intellectual property attorneys represent both intellectual property owners and alleged infringers.
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I. Introduction.

In response to the phenomenal growth of the computer and other high technology industries, and to widespread concerns expressed regarding the U.S. patent system, the Secretary of Commerce commissioned a report on possible improvements to the patent system in a wide range of areas, and in 1992 the Advisory Commission on Patent Law Reform presented its report. Section XI of that report, entitled "Protection of Computer-Related Inventions" and included as an appendix to this paper, summarized extensive public comment solicited for the report and offered ten recommendations regarding U.S. patent policy, laws and procedure. Those recommendations have been implemented to varying degrees in the years since that report.

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.

The Federal Circuit decisions in State Street Bank and AT&T v. Excel heightened public awareness of the kinds of patents that were being granted. And since then, widely watched cases involving business method patents have drawn further attention and criticism toward business method patents, as well as toward software-related patents.

II. Opposing Views Relating to the Patenting of Business Methods.

Since the early 1980s some have criticized the use of patents and other forms of intellectual property to limit use of software by others. In 1983 Richard Stallman founded the GNU Project and...
published the *GNU Manifesto*\(^6\) which argued that programmers should not restrict others' freedom to use their software, and should not be required to pay for permission to use others' software. The League for Programming Freedom published its paper *Against Software Patents*\(^7\) in 1991, warning that, "software patents threaten to devastate America's computer industry" and that, "software patents must be eliminated." In 1992 the Advisory Commission received over 400 individual comments from the public for or against the patent protection of computer-related inventions, and its Report summarized them. This year, in response to popular calls for Amazon.com to stop asserting the "one-click" patent involved in its suit against barnesandnoble.com\(^8\), Jeff Bezos, CEO of Amazon.com, has proposed that business method and software patents be treated differently than patents on other technologies.\(^9\)

The remainder of this section summarizes the principal arguments made against and in favor of business method patents. Many such patents are also software-related, and the arguments against business method patents are often the same as those made against software-related patents.

### A. Principal Arguments Made Against Business Method Patents.

Critics of software-related patents, and of software- and Internet-related business methods, argue that the protection afforded by such patents is too long given the current pace of technical and business development, and that they should therefore be limited to a shorter term than patents on other technologies. Implicit in this argument is the assumption that the value of the patentee's period of exclusivity (twenty years from filing) is disproportionately greater than the value to the public of the patentee's contribution to the technology. Discussion of the value to the public of the patentee's contribution by these critics often includes criticism of the USPTO for issuing patents on "obvious" improvements as discussed below, and assertions that such patents cover all business in cyberspace because "every method of doing business in cyberspace by definition is instantiated in technology -- code."\(^10\) Several critics, notably in academia, assert that copyright or some form of *sui generis* protection is sufficient protection for software, apparently because the former does not constrain use of

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\(^8\) T. O'Reilly, *An Open Letter to Jeff Bezos*, (Feb. 28, 2000), http://www.oreilly.com/cgi-bin/amazon_patent.comments.pl


the noncopyrightable "idea" underlying the protected "expressions," and the latter would provide narrower protection through a shorter term and/or less extensively protected rights.

Another argument raised is that the patent incentive is not necessary to spur innovation in software and "web" technology and in methods of doing business. Here it is often posited that such innovation would occur even without the patent incentive and that such innovation would then be publicly disclosed rather than maintained as a trade secret, usually citing the "open source" and "free software" movements as proving the truth of the statement. Others making this argument assert that at least a significant fraction of programmers are motivated by different considerations than innovators and developers in other technologies, i.e., that "programmers are different than engineers."

A closely related argument is that business methods and software-related patents will stifle innovation in software and "web" technology having "an open, shared platform" where ideas are given away as the foundation for future innovations. The existence of the amazon.com and priceline.com patent lawsuits are offered as evidence of this, on the basis that the existence of patent litigation and fears of becoming targets of such lawsuits will deter entry into or innovation in Internet-related businesses, "e-commerce," and software development generally.

Many of the critics assert that most business method and software-related patents are either anticipated or obvious in light of the prior art. A closely related argument is that the USPTO examiners do a poor job of examining such applications, for a variety of reasons including: lack of access to the relevant prior art; failure to locate the relevant prior art; failure to understand the claimed invention; failure to apply the most relevant prior art; failure to maintain rejections based on prior art; and need to issue large numbers of patents to provide funding for the USPTO.

Finally, some argue that software should not be restricted from use and enhancement by others, i.e., that software should be "free" as that term is defined by the "free software" movement. The founder and well known proponent of the free software movement, Richard Stallman, is quoted as basing this argument on morality and asserting "that the freedom to share software and other published information is also a natural right."11

Robin Miller ("roblimo"), Thus Spake Stallman, Slashdot (May 1, 2000), http://slashdot.org/article.pl?sid=00/05/01/1052216.

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B. Principal Arguments in Favor of Business Method Patents.

A key argument in favor of patents on software-related inventions is that programming is a technology no different that any others for purposes of patent protection. This argument therefore concludes that the term for such patents should be the same, that the rights protected should be the same, and that the application and examination processes should be the same. Some proponents of this argument concede that the USPTO's handling of such applications and patents can and should be improved.

International treaty obligations are raised as preventing the U.S. patent system from discriminating against software-related and business method inventions. The General Agreement on Tariffs and Trade (GATT) - Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the example most often cited of such obligations. Another argument based on international considerations is that such discrimination would place U.S. inventors and developers at a competitive disadvantage versus their non-U.S. competitors.

A number of patent proponents assert that no sensible distinction can be made between software and hardware inventions given the ability to convert software implementations into silicon, and vice versa, and that because of this one cannot define a "software patent" precisely enough to avoid discriminating against inventions implemented in hardware. Similarly, such proponents argue that no sensible distinction can be made between business method and non-business method patents, since most patents ultimately have a commercial or “business” purpose.

Further, there is the assertion that the incentive offered by the patent system (invent and disclose publicly, in exchange for a limited period of exclusivity over the invention) does in fact encourage innovation in software technology and business methods. Underlying this assertion is the assumption that at least a significant fraction of programmers are motivated by the same considerations as innovators and developers in other technologies, i.e., that "programmers are not different than engineers."

Finally, independent inventors, startups, and small businesses are said to benefit from the availability of patents on their business method and software-related inventions. These benefits include the use of such patents to defend against appropriation of the claimed invention by larger competitors, and to obtain financing from investors such as venture capital providers.
III. Recommendations.

Many of the following recommendations were made in whole or in part in the Advisory Commission Report. The AIPLA endorses the recommendations and accompanying discussions found in Section XI of the Advisory Commission’s Report. To address new issues that have been raised by business method and software-related patents and by new patent laws enacted in November 1999, the AIPLA makes the following additional or supplemental recommendations.

A. Business method inventions should be protected under the same framework of laws under which other inventions are protected.

Business method inventions that meet the requirements for patentability found in Title 35, U.S.C., should be protected under the same laws and to the same extent as patentable inventions in other areas of technology, although the AIPLA does recommend changes to some of the laws recently enacted in November 1999 (see III.G at page 12 and III.H at page 15 below relating to reexamination and publication). “The patent laws have successfully adapted to new technologies for over two hundred years, and in each instance have fulfilled their role in promoting the technological innovation and commercial application of such technologies. Furthermore, any statutory change in either the levels or nature of available protection will cause more difficulties than benefits, and will risk the effectiveness of protection of U.S. technological innovations abroad.”\footnote{12}

A key aspect of the above recommendations is the acknowledgement that abstract ideas are not patentable; rather, the invention needs to have a practical application as measured by the production of a "useful, concrete or tangible result."\footnote{13}

A shortened term for certain types of patents should not be adopted. Such discrimination would run afoul of the United States’ treaty obligations under GATT-TRIPS, and would severely disadvantage U.S. inventors versus their non-U.S. competitors, as explained below in section III.C at page 9.

Other forms of protection, such as copyright or trademark protection, would not provide business method innovations with the type of protection to which they are entitled under the patent laws and which may be necessary to promote further innovation in these areas.\footnote{14}

Furthermore, \textit{sui generis} protection is not recommended, since the current patent laws provide

\footnote{12 \textit{Advisory Commission’s Report} at 149.}
\footnote{13 \textit{See State Street Bank} at 1373.}
\footnote{14 \textit{See Advisory Commission’s Report} at XI-C 1-2.}
“a well-balanced set of rights” for business methods innovations.\textsuperscript{15} \textit{Sui generis} protection was attempted in the Semiconductor Chip Protection Act which, in retrospect, has not accomplished the goals established for that legislation for reasons that would impact \textit{sui generis} protection for business method innovations as well. And \textit{sui generis} protection for software is usually proposed as a shorter-term substitute for patent protection, and would therefore disadvantage U.S. inventors versus their non-U.S. competitors and run afoul of our GATT-TRIPS obligations.

\textbf{B. No special test or interpretation of the patent laws should be applied to business method inventions.}

There is no basis for excluding new and nonobvious business method innovations from protection under existing patent laws. Congress intended statutory subject matter to include “anything under the sun that is made by man.”\textsuperscript{16} Thus, the protection acknowledged in 	extit{State Street Bank} and \textit{AT&T v. Excel} for business method innovations should continue to be available for such innovations. “Any continued fine tuning of the interpretation of statutory subject matter can be and has been undertaken by the courts.”\textsuperscript{17}

The AIPLA believes many of the concerns expressed by the public can be addressed through appropriate application of the patent laws. For example, computerization of a particular, known method of doing business may, or may not, be patentable when examined under the tests of 35 U.S.C. §§ 102 and 103 currently applied to other software-related patent applications. Of utmost importance is finding and applying the relevant prior art during examination of business method patent applications, a topic addressed below in section III.D at page 10.

\textbf{C. U.S. inventors of business method innovations should not be substantively or procedurally disadvantaged compared to their foreign competitors by changes in the U.S. patent laws.}

The strength of the U.S. economy depends upon strong patent protection for U.S. inventors’ innovations. In 1999, while the U.S. has a trade deficit of a record $339 billion “U.S. exports in the form of royalties and licensing revenue exceeded $37 billion – topping aircraft exports at $25 billion.

\textsuperscript{15} See Advisory Commission’s Report at XI-C 3.
\textsuperscript{17} Advisory Commission’s Report, XI-C 5.
Moreover, the trade surplus – the exports minus imports of this intangible intellectual property – is running at about $25 billion annually, and growing.” Any lessening of protection for U.S. innovations could well impact this favorable balance of trade in intellectual property. Thus, the continued patentability for business method inventions is important for the U.S. in competing in the worldwide market. For application of substantially the same principles to computer-related technology generally, see the Advisory Commission’s Report at XI.C.8-11. Industrialized countries around the world have expanded the patent protection afforded software-related inventions to levels generally equivalent to what is currently available in the United States. If the U.S. now withdraws patent protection from software-related inventions, U.S. inventors will be left at a significant disadvantage versus their non-U.S. competitors.

Furthermore, the GATT-TRIPS Agreement requires that member countries make patents available for any inventions, whether products or processes, in all fields of technology without discrimination, subject to the normal tests of novelty, inventiveness and industrial applicability (Article 27.1), and that such patent protection be available for twenty years from the filing date (Article 33). Prohibiting the issuance or enforcement of patents on business methods or software-related inventions would clearly run afoul of those obligations, as would limiting the terms of such patents to less than twenty years from filing.

D. The PTO should collect non-patent business methods prior art, including that describing business methods not implemented on a computer.

Many of the concerns regarding patent protection for business methods relate to the effectiveness of the examination process. Challenges in examining business methods often stem from the examiner's lack of access to pertinent prior art. At the present time, the patent literature relative to business method patents is very sparse. Thus, AIPLA commends the USPTO's ongoing efforts to collaborate with the private sector to identify and develop additional sources of prior art material that is relevant to proper examination of these patents. The AIPLA encourages the USPTO repeatedly to remind patent applicants of their duty to disclose to the USPTO all material prior art, including all forms of such prior art whether implemented manually, via computer or otherwise, and to disclose such art either in whole or in material part. The AIPLA also encourages the USPTO to intensify its categorization and cataloging of prior art documents submitted in patent applications filed on business method inventions. Other positive steps by the USPTO have afforded examiners access to the major commercial computerized literature search services, which are valuable for accessing non-patent computer-related business method prior art, and steps in forging relationships with additional organizations that can

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provide prior art for business methods and technical training for the examiners. The USPTO has also adopted specific initiatives to improve its examination of business method patent applications 19.

The non-patent business method prior art covers a broader swath of the prior art than that of most non-patent computer-related inventions. The prior art encompasses, for example: (1) programmed e-commerce website applications; (2) literature and websites suggesting specific sales techniques for the web; and (3) the entire field of business practices (non-software implemented) themselves. In the second area, there is an already large source of printed sales and marketing manuals, courses and websites that describe various business methods that can be used and promoted on the Internet, e.g. targeted advertising, ticket and book selling and auctions. These sources are non-technical in that they do not describe or flow chart the programming needed but only describe the business method itself. The third area covers all of the relevant non-software implemented business practices taught for a long time by business schools, and contained in business literature and databases such as Nexus and in other literature concerning sales, auctions, marketing, finance, economics and management. Particularly relevant are those business areas also targeted by Internet marketing manuals and websites. While non-software implemented business is a large field, it may well contain relevant non-software prior art relevant to the specific business method at issue.

The USPTO has made great strides in its classification efforts in this general area. Further efforts are needed, for example, to classify non-technical marketing and sales techniques for specific use in e-commerce. These techniques can target the area of non-software general business practices that can most profitably be given first priority for classification. Business methods themselves may best be classified by those in the private sector who already have experience with business literature such as business school librarians and retired academics. These people have knowledge and experience dealing with the concepts of business methods and models.

The AIPLA recommends that the USPTO continue their positive momentum in exploring and adopting improved data search and retrieval techniques to make the USPTO's classification efforts even more useful.

E. The USPTO should continue to hire more examiners with business backgrounds, such as MBAs, and should continue to aggressively improve the skills and training of new Examiners.

An increase in the prior art base could pose a challenge for examiners who have software


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backgrounds but no business backgrounds. The non-patent software art, badly indexed and not easily accessible, presents access and retrieval challenges to examiners - challenges which are exacerbated when dealing with non-technical, non-patent business related art which nonetheless may be the most fruitful source of relevant prior art. Accordingly, business experts should be included as examiners.

Examiners must be effectively trained to respond to the increasing number of new patent applications, and this training must be accomplished even while hiring additional examiners to respond to the flood of new patent applications and the loss of trained Examiners. The USPTO should consider all media and modes of delivering state of the art training to its Examiners, including goal-based learning tools for delivering standardized training and certifying competency and artificial Intelligence (AI) knowledge tools integrated into the training material to provide coaching and appropriate remedial exercises.

High quality examination of patent applications is critical. Improved collections of and access to the prior art, and continuous improvement in examiner skills and training and in the examination process itself, are needed to deliver the high quality of examination that business method patent applications require.

F. Congress should restore to the USPTO full use of fees collected from patent applicants and patentees.

The recommendations above for improving the USPTO's handling of patent applications relating to business methods cannot be implemented without cost. The AIPLA therefore recommends that Congress cease its practice of diverting to other uses fees paid by patent applicants and patentees to the USPTO, and restore to the USPTO the ability to expend all of those fees in support of its operations.

G. The current laws should be amended to provide for early reexamination with a third party right to appeal to the Federal Circuit, and with no estoppel attaching to USPTO decisions not reviewed by the Federal Circuit.

For U.S. patent applications filed on or after November 29, 1999, Congress has provided for optional *inter partes* reexamination, in addition to existing *ex parte* reexamination, of any resultant
This new provision, which is part of The American Inventors Protection Act of 1999, is intended to improve the quality of U.S. patents by allowing more participation in reexamination proceedings by third-party requesters. The new laws and rules reflect a legislative compromise between the interests of third-party requesters to participate more actively in reexamination proceedings, and the interests of patentees in limiting the ability or third parties to use the reexamination process to harass patentees. Under the new law, third parties with access to written prior art not considered by the USPTO in issuing a patent are able to present it, along with responsive explanation and argument, to the USPTO for consideration. In the context of business method patents, the new regime is one possible avenue for those concerned with issuance of such patents to improve the quality and reliability of the patents. More could be done, however, to motivate public participation, not only in screening business method patents, but also screening patents in all technical areas.

Although the new optional *inter partes* reexamination procedure is a step in the right direction, there are still limitations that may discourage industry participants from taking advantage of the procedure. The most significant of these limitations are the inability of the third-party requester to appeal a decision of the Board of Patent Appeals and Interferences, and the estoppel effect of decisions rendered by the PTO during *inter partes* reexamination. The latter of these limitations strongly discourages third-party from requesting *inter partes* reexamination.

The inability of the third-party requester to appeal a decision of the Board of Patent Appeals and Interferences to the Court of Appeals for the Federal Circuit chills public participation in *inter partes* reexamination, particularly when the patentee has such a right. Many believe the USPTO favors patentees in reexamination. This belief regarding reexamination, coupled with the inherent right of appeal in the court system, makes litigation a preferable avenue for many third parties. The increased costs in terms of time, money, and resources associated with litigation in most cases, however, leave others with no real alternative.

The estoppel effect of the current system may enhance any reluctance to use the *inter partes* reexamination proceedings. Not only are the decisions of the board not appealable, but many issues determined by the USPTO are dispositive in any subsequent court proceedings. Moreover, the estoppel effect extends to issues that could have been raised, as well as those that were actually raised bringing the risk of reexamination to an unacceptably high level for many of those who might otherwise consider it as an economically viable alternative to litigation.

To address these concerns, the AIPLA proposes instituting an early *inter partes* reexamination proceeding. The proposed proceeding would be in addition to those presently available under 35 U.S.C. §§ 311-318.

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U.S.C. §§ 301-307 (ex parte reexamination) and §§ 311-318 (optional inter partes reexamination). It would require a third party requester to file a request for reexamination within a short time period after a patent issues, for example, one year. During an early inter partes reexamination, the third party requester would be permitted to participate in the same way as a third party requester is now permitted to participate under the recently enacted optional inter partes reexamination. In addition, the third party requester who files an early inter partes reexamination would be permitted to appeal a decision of the Board of Patent Appeals and Interferences to the Federal Circuit. And, unless the third party requester appeals to the Federal Circuit, there would be no estoppel effect. This recommendation is consistent with the Resolution adopted by the AIPLA Board of Directors on May 1, 1991.

The proposed early inter partes reexamination provides a fair balance between those who are concerned that reexamination will be used by third parties to harass patent owners and those who are concerned the USPTO is issuing overly broad, and therefore invalid, patents because it has not identified or correctly analyzed the prior art. By requiring such reexaminations to be filed early, third parties would have to step forward with potentially invalidating prior art before the patentee has invested large sums of money in commercialization and while the patentee can still file a reissue application without concern about broadening claims. Thus, the patentee would be able to seek new claims that avoid the prior art; and the quality and reliability of patents would be improved, helping address the concerns of those opposed to the patenting of business methods.

The AIPLA recommends that such an early inter partes reexamination proceeding be made available for patents in all technological areas. The AIPLA further recommends that, during reexamination, the USPTO be permitted to consider all prior art relevant to the patentability of the claimed subject matter, unless such prior art was either relied upon to reject at least one claim or its relevance to patentability of at least one claim was discussed during a prior USPTO proceeding. This recommendation is consistent with the USPTO's Guidelines for Reexamination of Cases in view of In re Portola Packaging, and is believed to be fully compliant with the specific holding in Portola Packaging.

Again, such an approach provides a fair compromise between those concerned about

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25 See AIPLA Past Action Manual at 61, supra.
27 In re Portola Packaging, Inc., 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997).
harassment of patentees and those concerned that the USPTO has overlooked or incorrectly analyzed relevant prior art. Where a prior art reference has not been applied or its relevance to patentability discussed, "the examiner is only responsible for cursorily reviewing the reference."28 Thus, the possibility for overlooking the significance of such a prior art reference is a real one, particularly in a case in which hundreds of references have been cited to the USPTO.

H. The new laws regarding publication of U.S. applications after eighteen months should be allowed to have their effect.

Eighteen months after their filing dates, the USPTO will publish many patent applications filed on or after November 29, 2000, with provisional rights accruing to the applicant.29 This provision is part of The American Inventors Protection Act of 1999 (AIPA) and is a step toward harmonization of U.S. laws with those of most other countries requiring publication. The AIPLA has long supported pre-grant publication of patent applications.30

In general, publication of applications contributes to rapid dissemination of technological advances to the public and provides early notice of potentially exclusive rights to such advances. Publication of U.S. business method patent applications will address some of the concerns about the patent system not being suited for the pace of technical and business development in this field. With earlier knowledge of such applications, industry participants may have the opportunity to design around where feasible or otherwise have a fully-informed business plan, and may begin to collect prior art relevant to the published invention. It is intended that these opportunities will arise before a company begins using, or making significant investment in preparing to use, inventions embodied in pending applications. Current pendencies in the USPTO cause patents to regularly issue on applications filed five and more years earlier, giving rise to public misconceptions and concern over the USPTO issuing patents on what are today"well known" inventions. Early publication will also help reduce public outcry over newly issued patents on broadly claimed inventions, by shortening the time between the filing of the application and public's first knowledge of it.

The AIPLA recommends that the new laws providing for early publication of U.S. applications be given time to have their effect, and that no change be made in them at this time. The early publication provisions of the AIPA address the very concern expressed by critics of business method

28 USPTO Guidelines for Reexamination, supra.
29 35 U.S.C. §§ 122, 154
I. The first inventor defense should be interpreted broadly to encompass claims to methods of doing business regardless of the area of technology and regardless of the form of the claim.

The American Inventors Protection Act of 1999 provides a defense to patent infringement for methods of doing or conducting business. The defense applies to those who commercialized methods for doing or conducting business before the effective filing date of a patent application (providing they reduced the subject matter to practice at least a year before that date). The legislative history directed to this Act reveals that the use of the word "method" in the statute is not a reference to method claims, and that the scope of protection extends to any subject matter that is in fact a business method, whether or not claimed as such.

Specifically, the legislative history commentary includes this observation:

"The issue of whether an invention is a method is to be determined based on its underlying nature and not on the technicality of the form of the claims in the patent. For example, a method for doing or conducting business that has been claimed in a patent as a programmed machine, as in the State Street case, is a method for the purposes of section 273 if the invention could have as easily been claimed as a method. Form should not rule substance."31

In addition:

"As used in this legislation, the term 'method' is intended to be construed broadly. The term 'method' is defined as meaning 'a method for doing or conducting business.' Thus, 'method' includes any internal method of doing business, a method used in the course of doing of conducting business, or a method for conducting business in the public marketplace. It includes a practice, process, activity, or system that is used in the design, formulation, testing, or manufacture of any product or service. The defense will be applicable against method claims, as well as the claims involving machines or articles the manufacturer used to practice such methods (i.e., apparatus claims). New technologies are being developed every day, which includes

31 Congressional Record at S14717 (Nov. 17, 1999), Senate section-by section analysis.
technology that employs both methods of doing business and physical apparatus design[ed] to carry out a method of doing business. The first inventor defense is intended to protect both method claims and apparatus claims\textsuperscript{32}

The AIPLA recommends that the first inventor defense be applied to all commercialized methods without regard to the technologies in which they are implemented or to the formats in which they are claimed. To the extent that this is not clear from the language of the statute and the legislative history, the statute should be revised.\textsuperscript{33} This defense provides an avenue of protection for industry against claims that may not be invalid in any technical sense, but that nevertheless reflect “old” technology from the perspective of the alleged infringer.

\textsuperscript{32} Congressional Record at H12805 (Nov. 18, 1999) comments by Nadler of Judiciary Committee.

\textsuperscript{33} AIPLA Motion in Support of S.2272 (July 14, 1994), in AIPLA \textit{Past Action Manual} at 72.

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