

IP Strategies

Trends in patent, copyright/trademark and
technology development and protection

Fall 2002

WELCOME

This is the first issue of a new Vedder Price publication for our clients and other friends of the firm. With this publication we intend to provide you with periodic reports dealing with ways in which you can not only protect your company's investments in intellectual property but maximize your total investment.

"Business Method" patents are the subject of this issue. My partner, Joe Krause, has studied the application and issuance of Business Methods patents for the period, 1995-2001. His findings show that businesses have been extremely aggressive in submitting patent applications for a wide variety of business methods. Therefore, an increasing number of businesses will have to be concerned with infringement of valid business method patents and may want to seriously study their ability to "design around" existing patents.



Angelo J. Bufalino, Executive Editor and Intellectual Property
and Technology Group Leader

BUSINESS METHOD PATENTS

WHAT EVERY BUSINESS SHOULD CONSIDER

A patent conveys to its owner the right to exclude others from making, using or selling the patented invention. On July 23, 1998, the Court of Appeals for the Federal Circuit issued its now-famous decision in *State Street Bank and Trust Company v. Signature Financial Group, Inc.*, which affirmed that patent protection can be obtained for “anything under the sun that is made by man,” including business methods. Under *State Street Bank*, business practices are certainly eligible for patent protection, as long as they satisfy various statutory requirements.

Hundreds of articles have been written about *State Street Bank* and business method patents. After the decision was rendered, many commentators opined that business method patents would have no redeeming social characteristics, that they would stifle business and competition, increase cost and lower quality and quantity of available patented products and services. Commentators who favored business method patents pointed out that the other, already-existing statutory requirements of novelty and non-obviousness would prevent the apocalypse predicted by the business method patent naysayers in the wake of *State Street Bank*. Indeed, in

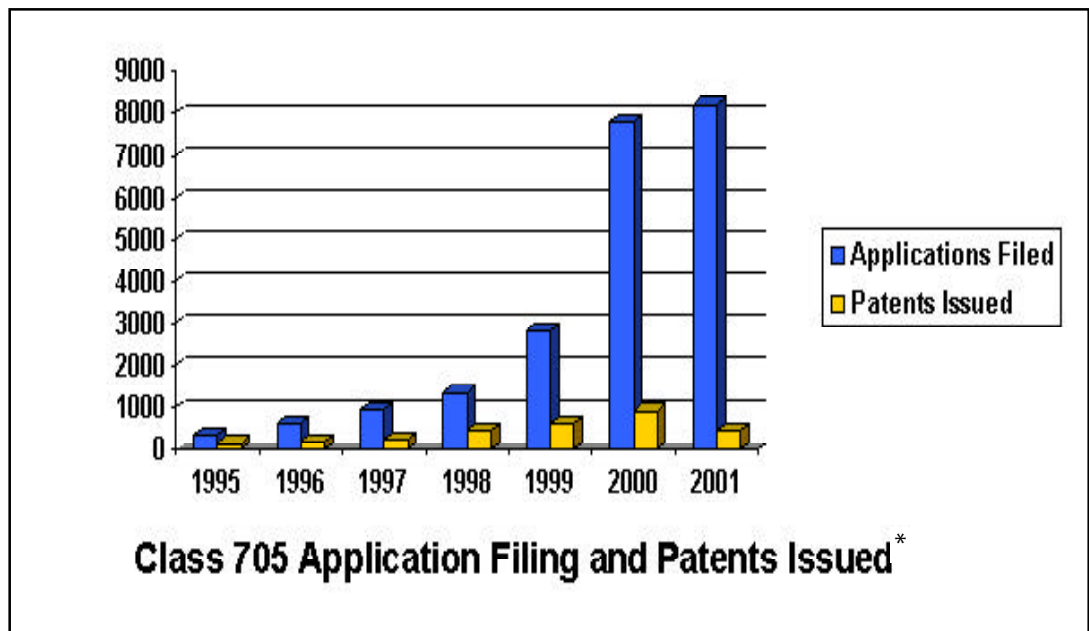
Survey the existing and pending patent landscape before offering a new service or using a new technology.

1999 and at least partly as a result of the *State Street Bank* decision, legislation was enacted that provides a prior-use defense to business method patents.

The patent at issue in *State Street Bank* was not really directed to a business method per se. The patent at issue in *State Street Bank* was for a computer system that performed certain calculations by which mutual funds could be more effectively administered. Even though the claims were directed to a computer that performed certain functions, the trial court determined that the patent was for a business method and was therefore invalid.

On appeal, the Court of Appeals for the Federal Circuit reversed, stating in its opinion that the transformation of data in

the patent produced a “useful, concrete and tangible result” and was therefore entitled to patent protection. The Court’s opinion laid to rest the notion that business methods are not patentable.



*U.S. Patent & Trademark Office, Technology Profile Reprint for Class 705 as of March 2002

The U.S. Patent Office classifies patent applications by technology and Class 705 is considered by the Patent Office to be its main classification for business method patents. Data from the Patent and Trademark Office, Class 705, Technology Profile Report of March 2002, some of which is depicted in the graph on page 2, shows that the number of new applications in Class 705 increased significantly after *State Street Bank*. Although the rate of increase has diminished somewhat in fiscal year 2002, the number of business method applications filed each year continues to increase.

As shown in the graph on page 2, as the number of business method patent applications increases, so does the number of issued patents. Even though the number of patents issued in 2001 actually decreased from 2000, the total number of business method patents continues to increase. According to the Technology Profile Report for Class 705, there are a total of 6,482 patents issued in Class 705 between 1988 and 2001. Most of them were assigned at issuance to corporations whose names are well known.

As shown in the table on this page, between 1998 and 2001, the top-ten business method patentees included IBM, Pitney-Bowes, Fujitsu, Hitachi, NCR, Microsoft and Matsushita, all of which are patent-savvy companies with extensive patent portfolios.

Clearly, some patent-savvy corporations see value in business method patents. Hundreds of business method patents have been issued in just Class 705, examples of which include:

- “Electronic Content Delivery System”
- “Protection of Transaction Data”
- “Method and System for Managing Workflow”
- “Method for Creating and Managing a Lease”
- “Method and Apparatus for Aiding of Designing Process”
- “Internal Mail Distribution System”
- “Credit Card Collection Strategy Model”

Examples of pending applications for business method patents include:

ASSIGNEES AT ISSUE 1998 - 2001

Assignee	Number of Patents
IBM	206
Pitney-Bowes	141
Fujitsu LTD	88
Hitachi	68
NCR	77
Citibank	36
Microsoft	56
EDS	34
Matsushita Electric	43
Lucent Technologies	33

- “Method for a Utility Providing Electricity Via Class of Service”
- “Credit Card Management Method, Credit Card Management Program, Credit Card Management Device”
- “Messaging Services for the Visually Impaired”
- “Software Based Stamp Dispenser”

On September 6, 2002, First USA Bank filed a patent infringement suit against Paypal Inc. in the U.S. District Court for the District of Delaware, for allegedly infringing two patents owned by First USA Bank. The patents at issue, U.S. Pat. Nos. 6,227,447 and 6,341,724, relate to methods for linking credit card account numbers to a phone number and a personal identification number or PIN, whereby physical possession of a credit card is not required to complete a transaction.

The remedies for patent infringement can include treble damages and attorneys’ fees and injunctive relief. For businesses offering new services, employing new business methods or using new technology, the *State Street Bank* decision and the Patent Office data show that claims of patent infringement might be

another risk of doing business. An investment in a new service, new technology or a new business method could be lost completely by the issuance of a permanent injunction, *after* paying a significant damages claim, if it turns out that some entity has a patent that protects the service, technology or business method.

One way to reduce the possibility of an infringement claim is to study existing patents that might be infringed by a new business method or business technology and to either design around the patent or obtain appropriate licenses. The best time to license or perhaps design around a patented technology or business method is usually prior to making an investment in it. A thorough investigation of the business-method patent landscape before engaging in potentially infringing activity will almost always pay handsome dividends in the form of reduced or avoided damage claims of a patentee.

If it appears that a new service or technology under consideration is *not* already protected by an issued patent or pending application, consideration should be given to filing for patent protection. An even better investment than a patent license, or a clearance to use a novel idea, and which pays a potentially much higher rate of return, is ownership of the patent on an innovative technology or business method that provides a limited monopoly that might grant a competitive advantage.

Businesses should consider filing for patent protection on any new method or technology that might provide a competitive advantage against their competitors. The cost of preparing and filing a patent application that might become a barrier to a competitor is usually insignificant when compared to the capital investment in a new business method or technology.

If a service or technology looks new and of value, consider filing for patent protection, even if it might not be used.

Contributing Author: *Joseph P. Krause*

VEDDER PRICE ADDS NEW IP LAWYERS

Robert S. Beiser—formerly a partner in the Chicago office of Milwaukee’s Michael Best & Friedrich—has joined the growing Intellectual Property practice at Vedder Price. Mr. Beiser, 54, counsels clients in the field of patents, trademarks and copyrights, concentrating in the preparation and prosecution of patent applications in the fields of reclosable plastic packaging, medical devices, pharmaceuticals, electronics and computer software. He also provides validity and infringement opinions as well as the preparation and prosecution of trademark and copyright applications and technology licensing agreements. He will be a partner in the firm.

Mr. Beiser is an Engineering and English Literature graduate of Michigan State University, *cum laude*, and received his legal education at IIT Chicago Kent College of Law, *cum laude*. As an outgrowth of his patent practice, he has handled litigation matters involving breach of contract claims, theft of trade secrets, patent and trademark infringement together with numerous licensing disputes. Prior to entering into private practice, he served in the patent departments of Abbott Laboratories and Bausch & Lomb.

Mr. Beiser is licensed to practice before the United States Patent and Trademark Office. He is a member of a number of associations including the Intellectual Property Law Association of Chicago, the American Intellectual Property Law Association and the American Bar Association Patent Section.

Brent A. Boyd—formerly with Akin, Gump, Strauss, Hauer & Feld, L.L.P. in Houston, Texas has joined the Intellectual Property practice at Vedder Price. Mr. Boyd handles the preparation and prosecution of patent applications, responses, examiner interviews and appeals. Prosecution focuses on software and hardware with additional work in mechanical, optics and business methods. Mr. Boyd is also involved in patent infringement opinions, infringement claim charts, patentability opinions and counseling. He also handles trademark applications, responses, searches, opinions and counseling. In addition, he also has IP litigation experience in the areas of patent, trademark and copyright infringement.

Mr. Boyd also has a working background as a Systems Analyst, Programmer Analyst and Programmer. He is also licensed to practice before the United States Patent and Trademark Office.

Mr. Boyd received his legal education from Chicago-Kent College of Law, his M.B.A. from Illinois Institute of Technology and his B.S. in Computer Science at Illinois Institute of Technology.

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IP Strategies is a periodic publication of Vedder, Price, Kaufman & Kammholz and should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult your own lawyer concerning your own situation and any specific legal questions you may have.

We welcome your suggestions for future articles. Please call Angelo J. Bufalino, the Intellectual Property and Technology Practice Leader at (312) 609-7850 with suggested topics (or other suggestions or comments concerning materials in this newsletter).

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About Vedder Price

Vedder Price is a national, full-service law firm with approximately 200 attorneys in Chicago, New York and Livingston, New Jersey.

Technology and Intellectual Property Group

Vedder, Price, Kaufman & Kammholz offers its clients the benefits of a full-service patent, trademark and copyright law practice which is active in both domestic and foreign areas. Vedder Price's practice is directed not only at obtaining protection of intellectual property rights for its clients, but also at successfully enforcing such rights or defending its clients in the court and before federal agencies, such as the Patent and Trademark Office and the International Trade Commission when necessary.

We also have been principal counsel for both vendors and users of information technology products and services. Computer software development agreements, computer software licensing agreements, outsourcing (mainly of data management via specialized computer software tools as well as help desk-type operations and networking operations), multimedia content acquisition agreements, security interests in intellectual property, distribution agreements and consulting agreements, creative business ventures and strategic alliances are all matters we handle regularly for our firm's client base.

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