To Issue or Not to Issue: Analysis of the Business Method Patent Controversy on the Internet

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TO ISSUE OR NOT TO ISSUE: ANALYSIS OF THE BUSINESS METHOD PATENT CONTROVERSY ON THE INTERNET

Abstract: The author argues that in time business method patents will promote competition and innovation on the Internet. He begins by tracing the history, goals, and criteria of patent law in general, and then discusses the birth of the BMP, reviews a sample of recently issued BMPs, and summarizes the various arguments that undercut and support the advent of the BMP. After reviewing the arguments against Internet-based BMPs, the author asserts that although various and sometimes random, scholarly criticisms can be placed into three broad classifications: quality, efficiency, and consistency. Balancing these arguments, the author argues that although the consistency arguments have merit, they ignore the realities of the Internet business sector.

INTRODUCTION

Over the last decade, the importance attached to intellectual property by venture capitalists and financial analysts has increased steadily.1 Often times, the only assets of high-profile corporate acquirees are their patent portfolios.2 Analysts valuate companies based largely on their ability to exclude competitors from practicing their successful business models.3 This phenomenon underscores the significance and controversy of the business method patent (BMP).4

The subject matter of a BMP, or nature of the invention, is a method of doing business.5 Although the courts historically considered business methods to be non-patentable, the United States Court of Appeals for the Federal Circuit has recently extended patent protection to business methods.6 In the ever-expanding world of e-commerce, BMPs present tremendous opportunities for inventive en-

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2 See id.
3 Id.
4 See id.
5 See id. at 12.
entrepreneurs. At the same time, BMPs present what many on-line businesses, legal scholars, and media critics characterize as a critical economic threat to the prosperity of a wide range of businesses, especially those in service industries and e-commerce.

This Note argues that in time BMPs will actually promote competition and innovation on the Internet. Part I traces the history, goals, and criteria of patent law in general. In Part II, this Note discusses the birth of the BMP, reviews a sample of some recently issued BMPs, and summarizes the various arguments that undercut and support the advent of the BMP. Part III surveys commentary on Internet-based BMPs; although various and sometimes random, these arguments can be placed into three broad classifications: quality, efficiency, and consistency. Balancing these arguments, Part III concludes that although the consistency arguments have merit, they ignore the realities of the Internet business sector.

I. HISTORY, GOALS, AND CRITERIA OF PATENT LAW

Patent Law is derived from English common law. In England prior to 1623, British monarchs granted royal patents to favored merchants, providing them with monopolies in various sectors of the market. When the Statute of Monopolies was enacted in 1624, it limited the monarch’s ability to grant such patents, abolishing the royal power to create monopolies. The Statute, however, allowed Parliament to grant patents to inventors for new inventions. Parliament recognized that limited monopolies granted only on new products are necessary to promote competition through innovation.

In the United States, the Founders recognized the importance of intellectual property rights and gave Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writ-

7 See id.
8 See id.
9 See infra notes 13-47.
10 See infra notes 48-153.
11 See infra notes 154-178.
12 See infra notes 179-186.
14 Id.
15 See id.
16 See id. at 6.
17 See id.
ings and Discoveries.” Pursuant to this mandate, Congress allowed patents of any “new and useful process, machine, manufacture or composition of matter.” The patent statute granted inventors, artists, and creators the right to exclude others from making, copying, using, or selling their inventions and artistic works.

The goal of patent law is to provide incentives for innovation and dissemination (the ultimate contribution of the innovation to the public domain), thereby enhancing consumer welfare. Generally, society needs patents to motivate technological advances. Patents assure innovators that marketable inventions will generate profits for themselves, not their rivals. This protection is particularly necessary to inspire innovations since research and development costs can be extremely high. Without patent protection, innovators would be less able to ensure a return on their considerable investment because imitators may appropriate the invention without compensating the innovator. Patent law thus assumes that quality of life would suffer greatly from the technological stagnation that would result absent patent protection.

The patent laws contain two mechanisms to achieve their objectives of innovation, dissemination, and resultant consumer welfare. First, establishing enforceable property rights that protect creation, and avoid exploitation and “free riding” of imitators, creates incentives for innovation. Patents confer rights to exclude others for a period of seventeen years from the date of issue. By asserting the right of exclusion, firms holding patents can essentially foreclose

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23 See Guidelines, supra note 21, § 1.0.
24 See id.
25 See id.
26 See id.
27 See Guidelines, supra note 21, § 1.0
28 Id.
29 See id.
competition with respect to the patented subject matter. Moreover, the power to exclude allows inventors to raise prices for their innovative products and services above the cost-based levels that would otherwise prevail in a competitive market. To the extent monopoly means increasing prices and decreasing output, patent law must confer some monopoly power to serve its primary purpose of providing financial rewards. Thus, patent law grants a limited term monopoly offering both an incentive and reward for innovation.

The second mechanism of patent law involves a trade off. Patent law is based on quid pro quo: in exchange for the monopoly and all of its associated benefits, the patentee must fully disclose the specifics of the invention to society. Full disclosure of the invention of a new and useful product or more efficient process increases the knowledge base of society and promotes innovation. Patents, therefore, are the "price that society pays to encourage inventors to invent and then share their inventions with the public." Furthermore, the introduction of new products and processes of manufacturing in the economy leads to increased employment and better lives for our citizens.

In order for patents to promote innovation without harming competition, patent law imposes strict requirements for a patent to be granted. A valid patent must cover proper subject matter, and be useful, novel, and nonobvious. The proper subject matter for a patent is described broadly and generally in the Patent Act as "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." A patent will not issue, however, if the differences between the invention seeking the patent and other known, previously established inventions (called "prior art") "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordi-

51 See id.
53 See Sullivan, supra note 13, at 1-2.
55 See GUIDELINES, supra note 21, § 1.
56 Hulse, supra note 35, at 494.
58 See Hulse, supra note 35, at 495.
59 See Sullivan, supra note 13, at 1-2.
61 See Sullivan, supra note 13, at 1-2.
62 See id.
nary skill in the art to which said subject matter pertains . . . "42 Prior art, the legal term for previously published descriptions of a patented invention, is the reference point or baseline by which the Patent and Trademark Office (PTO) judges the newness or novelty of a description in a submitted patent application.43

Historically, business methods were not patentable because they fell under the general premise that abstract ideas or theories were not patentable subject matter.44 One specific manifestation of this attitude was the so-called "business method exception" to patentable subject matter.45 This court-made exception was that "no mere abstraction, no idea, however brilliant can be the subject of a patent irrespective of the means designed to give it effect."46 Thus, even if a new business process or operation yielded a new substance, only the resultant substance and not the process was deemed patentable subject matter under the exception.47

II. THE BIRTH OF THE BMP

In 1998, the United States Court of Appeals for the Federal Circuit formally dissolved the business method exception in State Street Bank & Trust Co. v. Signature Finance Group, Inc.48 State Street involved a computerized business method that pooled mutual fund assets into an investment portfolio that was organized as a partnership for tax benefits.49 The case firmly held that a financial business method that transforms data to produce a "useful, concrete and tangible result" is eligible for patent protection.50 Moreover, the Federal Circuit abrogated the business method exception as an unwarranted limitation to statutory subject matter.51 BMPs, the Federal Circuit held, must be

42 Id. § 103(a).
45 See Friedman, supra note 44, at 48.
46 Hotel Sec. Checking, 160 F. at 469.
49 See 149 F.3d at 1374.
50 Id. at 1373.
51 See id. at 1375.
held to the same legal requirements for patentability as any other innovation. The following year, the Federal Circuit reaffirmed State Street in AT&T Corp. v. Excel Communications, Inc. AT&T dealt with business procedures for converting data on long distance calls and creating billing information. The AT&T Court clarified and strengthened the State Street holding by establishing that any computer-implemented invention, apparatus, or method that is new and useful is patentable subject matter. Collectively, State Street and AT&T eviscerated the so-called business method exception.

Although the broad language of these decisions appears to have lifted the business method exception for all types of business ventures, the expansion of statutory subject matter has most dramatically affected the Internet-based business sector. The State Street decision had such an enormous impact on business-related inventions on the Internet because it is there that methods of doing business have rapidly combined with emerging computer technology to fuel the emergence of e-commerce. Accordingly, Internet companies, more than any others, have received wide publicity and sparked persistent controversy for the skillful exploitation of their patents.

Recently, the most provocative patent controversies involve Amazon.com and Priceline.com. Amazon, the nation's largest online bookseller, holds a patent on its "one-click" checkout feature. This streamlined online checkout feature is the Web analogue of the items arranged near the supermarket register designed to trigger impulse buying. Amazon sued BarnesandNoble.com alleging that the latter's single-click Express Lane Web purchasing technique infringed on the former's "one-click" checkout feature. The U.S. District Court for the Western District of Washington preliminarily enjoined Barne-

52 See id.
53 See 172 F.3d 1352, 1357-58 (Fed. Cir. 1999).
54 See id.
55 Friedman, supra note 44, at 53.
56 See id.
57 See Dreyfuss, supra note 22, at 267; Scheinfeld, supra note 1, at 17.
58 See Friedman, supra note 44, at 57.
59 See id.
61 See Seth H. Ostrow, Is All This Skepticism Warranted, N.Y. L.J., Mar. 27, 2000, § 7.
sandNoble.com from continuing to offer an "Express Lane" feature that infringed the claims of Amazon's patent. The District Court reasoned that "[e]ncouraging Amazon to continue to innovate—and forcing competitors to come up with their own ideas—unquestionably best serves the public interest." Nevertheless, the patent and the ruling prompted harsh criticism and fueled calls to boycott Amazon because of its attempts to "tax e-commerce through patents." Recently, the Federal Circuit lifted the preliminary injunction, but the ultimate patent infringement trial is still pending.

Similarly, Priceline.com received a patent for its "reverse auction" service: an e-commerce system that enables consumers to name their own price for a variety of goods and services. Like the Amazon.com patent, the Priceline.com patent has been roundly criticized as neither novel nor non-obvious. In fact, the Priceline.com patent inspired a Forbes Magazine reader to comment: "Cool! Jay Walker has apparently patented the 'business method' known as the Dutch auction—a method by which the U.S. Treasury sells hundreds of billions of dollars' worth of securities each year." Along these lines, skepticism concerning BMPs in e-commerce is growing, fueling increasing vigilance by on-line companies to expose rival BMPs as invalid.

A. Criticism of BMPs

Generally, the critics of BMPs have had little trouble pointing out hypothetical and actual examples of "absurd" or otherwise undesirable results of patenting business methods. Some of these hypotheticals emphasize the critics' concerns: "Think how the airline industry might now be structured if the first company to offer frequent flyer miles had enjoyed the sole right to award them . . .;"
"What . . . if Federal Express had been able to force all commercial shippers to choose between continuing to use inefficient methods of moving freight or paying a significant royalty to use the concept of centralized shipping hubs using computerized package tracking?";74 and, "[What if] one bank foreclose[d] all others from offering ATM or home banking services to their customers?" This75 These concerns reflect trepidation regarding the extension of patentability to processes or business methods generally, as opposed to the traditional physical substance or result.76

With respect to e-commerce specifically, the commentators need not rely solely on hypothetical BMPs to make their point. Although the Priceline.com and Amazon.com patents received notoriety in the headlines, the PTO has issued other BMPs since State Street that have been harshly criticized.77 For instance, Cybergold Inc. secured patents protecting a method of providing "awards to Internet users in exchange for reading paid online advertisements."78 Similarly, Linkshare Corp. secured a patent protecting a method "where online merchants can refer customers to each other and receive a share of the transactions resulting from that traffic."79 These patents have been harshly criticized as lacking the requisite novelty and nonobviousness.80

Some commentators argue that despite State Street's holding that business methods must meet the novelty and nonobvious requirements for patentability, mundane patents, or at least patents of known methods, are likely to continue to issue for conceptual, practical, and subjective reasons.81 Conceptually, these commentators argue that patents of poor quality will issue because the standards of novelty and inventiveness are not absolute but are field-dependent.82 "[N]ow that the Federal Circuit has decided that [business methods] should be considered patentable, the standards will be adjusted to make sure these patents are generally granted."83 Thus, to the extent that an otherwise familiar practice is extended to a new field, or even an ex-

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74 Scheinfeld, supra note 1, at 20–21.
75 Id. at 21.
76 See id.
77 See Ostrow, supra note 61, § 7 (stating that "[s]ome e-commerce patents are labeled 'absurd'").
78 Scheinfeld, supra note 1, at 15 (Patent Nos. 5,855,008 and 5,794,210).
79 Id. at 16 (Patent No. 5,761,857).
80 See id.
81 See Dreyfuss, supra note 22, at 268–69.
82 See id. at 268.
83 Id. at 269.
isting field undergoing a transition to an e-commerce platform, these commentators argue that the patents will issue. 84

Practically, some commentators argue that newness of BMPs means that there is sparse business concept-related prior art by which patent examiners can construe novelty, making it inevitable that invalid patents will issue. 85 Not only is the prior art database thin, but any affirmative search for prior art is exceedingly complex because business methods predate all notions of a patent regime. 86 Subjectively, judges are susceptible to the “gee whiz” phenomenon, which results in the validation of otherwise invalid patents simply because the business method is affiliated with a technology with which the judges are unfamiliar. 87 These commentators assert that judges will patent what they do not understand, and that they are unlikely to understand the Internet. 88

Commentators that concentrate on the practical problems posed by the State Street decision insist that the expanding scope of patent protection afforded by State Street and its progeny, combined with the publicity BMPs have received, has caused a flood of new applications being submitted to the PTO. 89 As one such pundit observed:

[A]n increased number of patents are being issued in spite of the often-heard criticism that the USPTO lacks adequate manpower and databases of prior art that provide for an effective, expeditious examination of software and business method patents applications to ensure that their disclosed inventions meet the statutory requirements that they be novel and nonobvious with respect to prior art. 90

These critics conclude that this overload of applicants, inadequate manpower, and thin knowledge base of prior patents, articles, or public uses at the PTO results in a lower quality of review and thus the issuance of invalid patents. 91

Aside from the quality of the BMPs that are issuing, many critics condemn BMPs as anti-competitive and anti-innovative. 92 In this re-

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84 See id.
85 See Dreyfuss, supra note 22, at 269.
86 See Raskind, supra note 24, at 84.
87 See id. at 270.
88 See Dreyfuss, supra note 22, at 270.
89 See id.
90 Guffey, supra note 6, at 28.
91 See id.; Ostrow, supra note 61, § 7.
92 See Dreyfuss, supra note 22, at 274.
gard, the critics fundamentally pose two important questions. First, there is concern whether BMPs in e-commerce will fuel the explosive growth and innovation witnessed in the Internet or whether BMPs will dampen the incentive to innovate by thwarting innovators. Second, there is concern whether BMPs will lead to economic inefficiency by trapping businesses in wasteful methods of employing manpower, because those companies lack the patent rights entitling them to more rational means of deploying their resources.

Furthermore, some commentators charge that BMPs breed inefficiency, which adversely affects innovation and the economy. They point out that weak BMPs, even ones ultimately invalidated by the courts, promote inefficiencies for three reasons. First, investors are wary of an enterprise that must win a lawsuit before it can succeed. Second, the BMPs existing in the time between issue and invalidation can inoculate businesses from industry-wide shakeouts, which ordinarily weed out the least competent businesses. Third, once a degree of loyalty develops, patrons will not care if the patent is invalidated and rival sites are permitted to use the business method. Thus, these critics hold that the barriers to innovation posed by BMPs defy judicial correction because the patents do not need to be operative for long to be detrimental to competition, innovation, and the economy.

One commentator takes the inefficiency argument a step further, arguing that business methods differ from the bulk of patent claims in that business methods are developed in the arena of competition, rather than in a laboratory environment. The argument is based on the assertion that interactive emulation more than innovation is the driving force of business method changes. Thus, the argument strikes at the policy rationale of the patent system: if emulation and not innovation leads to more efficient business methods, then the grant of monopoly power serves no socially beneficial purpose. In-

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93 Scheinfeld, supra note 1, at 22–23.
94 Id.
95 See Dreyfuss, supra note 22, at 274.
96 See id.
97 See id.
98 See id.
99 See id. at 270–71.
100 See Dreyfuss, supra note 22, at 272.
101 See Raskind, supra note 24, at 102.
102 See id.
103 See id.
sensitivity to this feature of business methods leads to a failure to strike the proper balance between the incentive/reward attributes of a patent and its potential for a monopoly.104

In addition, some critics point to licensing as another example of economic inefficiency caused by BMPs.105 BMPs, they argue, threaten the economic viability of those businesses finding that many vital methods for improvement are only available to them at great costs—the price of taking licenses from the owners of BMPs or of defending patent infringement litigation.106 “If the boom in business method patents continues at its accelerated pace, the so-called superhighway of electronic commerce could be partially converted into a toll road,” one observer warns.107 Thus, these critics liken such extortionary licensing to taxing the Internet via patents.108

Moreover, commentators further contend that BMPs defy the anti-free-rider and pro-disclosure justifications that are foundational to patent law in general.109 Simply put, business methods are difficult to free-ride on because they are largely firm-specific, and there is no need to encourage disclosure since they are practiced in public.110 Patented products, because of their condoned monopoly status, result in higher costs, lower quality, and lower quantity.111 Thus, the patenting of business methods, these commentators contend, does not result in the same positive social characteristics of other types of patents, but they embody all of the same costs.112

Significantly, while these critics eschew BMPs in general, some commentators embrace patents on software.113 In fact, some consider limited business methods intimately associated with software implementations to be acceptable candidates for protection.114 Under such an approach, “Internet utilization of real world models might still be patentable, but now only when the translation actually required inventiveness, that is, the creation of nonobvious implementing tech-

104 See id.
105 See Guffey, supra note 6, at 26.
106 See id.
107 Raskind, supra note 24, at 67.
108 See Ostrow, supra note 61, § 7.
109 See Dreyfuss, supra note 22, at 275.
110 See id.
111 See id. at 274.
112 See id.
113 See id. at 280.
114 See Dreyfuss, supra note 22, at 278.
nology.” Even under this more permissive view, the scope of allowable patents under this analysis should be highly limited.\footnote{Id. at 279.}

\section*{B. Pro-BMP Arguments}

Generally, the other side of the BMP argument is that the business community will, in time, adapt to BMPs—just as it adapted to the patentability of software, another subject matter previously shunned by the PTO and the courts.\footnote{See id. at 278.} These commentators assert that “[i]t is virtually impossible to determine—at least at this time—if truly valid business concept patents are a net drag on the economy, a net plus, or neutral.”\footnote{See, e.g., Robert P. Merges, As Many as Six Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform, 14 Berkeley Tech. L.J. 577, 588 (1999); Scheinfeld, supra note 1, at 23.} In fact, many of the same apocalyptic arguments attacking BMPs previously targeted software patents.\footnote{Merges, supra note 117, at 588.} The evolution of software protection, however, did not single-handedly destroy the fabric of the nation’s economy as prophesized.\footnote{See Scheinfeld, supra note 1, at 23.}

Commentators supporting BMPs allege that BMPs evoke the same response as have other new categories of human ingenuity. People complain that the patent system is not very good or very fair, it stifles ingenuity, it harms competition that would benefit the public, etc. The biotech people said (say) so, the software people said (say) so, before that, Henry Ford said so, and so on back. Much of the problem is cured with time: as the patent office gathers more prior art (by issuing patents, but in today’s Internet age, examiners can find non-patent prior art without leaving the premises) and the examiners gain more expertise, the system works better.\footnote{See id.} Accordingly, some suggest that a degree in business methodologies (perhaps even a Master’s in Business Administration) will inevitably become a legitimate educational credential for admission to the patent bar, just as a biology degree has become sufficient.\footnote{Roberta J. Morris, Business Method Patents: Good or Bad, Old or New (and Other Miscellaneous Thoughts), 589 Pract. L. Inst. 31, 77, 86–87 (2000).}

Pro-BMP commentators point out that BMPs in e-commerce represent a technical field like any other eligible for patent protection.\footnote{See id.}
"Few are likely to argue with the proposition that patents on integrated circuits or gene splicing techniques should be handled by people with proper training and with a good treatment of the prior art and technical issues involved."\textsuperscript{124} BMPs, it is therefore argued, will be viewed with greater respect once they are treated in the same light as other high technology fields.\textsuperscript{125}

With respect to the apocalyptic hypotheticals and the poor quality arguments asserted by the critics, pro-BMP commentators point out that the Federal Circuit downplayed their impact in \textit{State Street} by reasoning that adequate protections against overbroad monopolies on business methods would be assured by separate sections of the Patent Code.\textsuperscript{126} Specifically, these sections require that patents issue only for novel and nonobvious inventions, and mandate that such inventions must be described with specificity and definite scope.\textsuperscript{127}

Following \textit{State Street}'s direction, BMP sympathizers indicate that the PTO and the courts may be taking action to limit the scope of the BMPs.\textsuperscript{128} Specifically, pro-BMP commentators assert that although the courts are unlikely to retreat from the scope of what is patentable, they "may apply principles of patent law to narrow the scope of these patents or raise the standards for satisfying other requirements such as nonobviousness or enablement."\textsuperscript{129} In fact, these commentators urge that there are signs that such a shift is already occurring.\textsuperscript{130} Thus, to the extent some critics are complaining of overly broad patents issuing, erecting a barrier to entry and stifling competition, the counterpoint suggests that the narrow reading of the BMPs by the courts is providing a necessary check and balance to the BMP dilemma.\textsuperscript{131}

Furthermore, in response to the critics who point to the PTO's inadequacies in staff and databases as factors contributing to the low quality of BMPs, some commentators urge a wait-and-see attitude for

\textsuperscript{124} See id.
\textsuperscript{125} See id.
\textsuperscript{126} Scheinfeld, \textit{supra} note 1, at 21.
\textsuperscript{128} See \textit{Ostrow}, \textit{supra} note 61, § 7.
\textsuperscript{129} Id.
\textsuperscript{130} See \textit{Wang Lab., Inc. v. Am. Online}, 197 F.3d 1377 (Fed. Cir. 1999) (taking narrow view of patent to find distinctions between two "bookmark" features); Civix-DDI, LLC v. Microsoft Corp. et al., Nos. 00-131, 00-1346, 00-1347, 2000 U.S. Dist. LEXIS, at *717 (D. Col. Jan. 29, 2000) (narrowly construing patent terms and finding mapping software products did not infringe Civix patent).
\textsuperscript{131} See \textit{Ostrow}, \textit{supra} note 61, § 7.
several reasons. First, the PTO is hiring more examiners skilled in business methods and is trying to improve its review process. PTO Director Q. Todd Dickenson recently announced that business method patents would be reviewed twice by the agency as a means of ensuring that higher quality BMPs will issue. Second, the rapid issuance of the patents themselves is strengthening the knowledge base of the examiners. Finally, commentators explain that "[o]rganizations such as the Software Patent Institute continue their efforts to pull together software prior art," an effort which can only benefit the PTO. Among other things, the pro-BMP commentators believe that these efforts will enable the PTO to analyze more effectively applications against the backdrop of prior art to determine narrowly the invention's eligibility for protection.

Supporters of BMPs also point out that Congress has taken steps to improve the BMP situation. Soon after State Street, Congress enacted the American Inventor Protection Act of 1999 to change the patent laws influencing e-commerce. One of the most significant changes was the establishment of the "First Inventor Defense" to infringement of a business patent. The section states that "[a] party has a defense to a claim of patent infringement to continue practicing a method of doing business if it can establish use of the method for a year prior to the filing of the patent." Before the State Street decision, the business (and legal) community believed that business methods were carved out of the patentable subject matter and therefore businesses kept them secret. Congress was concerned with the prospect that businesses that understandably kept business methods secret pre-State Street may be seriously harmed if, post-State Street, a second business reinvented the method and patented it. Thus,

132 See id.; see also Dreyfuss, supra note 22, at 273 (acknowledging growing sentiment toward improvements at the PTO).
133 See Ostrow, supra note 61, § 7.
134 See Berkowitz, supra note 64, at 9.
135 See id.
136 Id.
137 See id.
138 See id.
139 See Ostrow, supra note 61, § 7.
140 See id.
141 Id.
142 See Guffey, supra note 6, at 28.
143 See id.
Congress addressed one possible problem that the sudden clarification in the law posed for those businesses.\footnote{See id; see also Dreyfuss, supra note 22, at 273 (acknowledging Congress's attempt to ameliorate situation, but finding remedy inadequate).}

The threat of stifled competition on the Internet due to BMPs may also be exaggerated in view of both the scope of the patents at issue and the actual breadth of the courts' holdings.\footnote{See Steuer, supra note 60, at 4.} For instance, in Amazon.com, the District Court noted that BarnesandNoble.com could change its own method and avoid infringement of Amazon's patent by utilizing two mouse clicks instead of one.\footnote{See id.; Amazon.com, 73 F. Supp. 2d at 1249.} According to the court, "Competition to provide unique, effective and enjoyable consumer experiences will lead to innovation and diversity in on-line commerce. On the other hand, innovation will be discouraged if competitors are permitted a free ride on each other's patented inventions."\footnote{Amazon.com, 73 F. Supp. 2d at 1249.} Thus, the court explicitly reasoned that protection of Amazon.com's patent, if valid, would enhance, not stifle, competition.\footnote{See id.}

As stated above, the ultimate validity of Amazon.com's patent has yet to be resolved.\footnote{See Amazon.com, 239 F.3d at 1360.}

Ironically, the Internet may lend a helping hand.\footnote{See Ostrow, supra note 61, § 7.} Commentators point to the willingness of the software industry to help locate prior art to flesh out invalid e-commerce and software patents.\footnote{See id.} In one case, a patentee for a less-than-novel Y2K bug solution attempted to license the technology pre-millennium.\footnote{See id.} In response, people either submitted prior art directly to the PTO or posted the prior art on the Information Technology Association website, leading to the PTO's reexamination of the patent.\footnote{See id.}

III. BMPArguments Can Be Classified into Three Categories

The various criticisms of BMPs can be categorized into concerns about the quality of the patents issuing, the inefficient impacts of the BMPs, and the BMPs' lack of consistency with the founding principles of patent law.\footnote{See, e.g., Dreyfuss, supra note 22, at 268–75; Raskind, supra note 24, at 84, 101–02.} The concerns dealing with quality and efficiency of
BMPs are more easily addressed than concerns regarding consistency. Specifically, in the quality category, there are the concerns that because State Street Bank & Trust Co. v. Signature Finance Group, Inc. has eviscerated the business method exemption to patentability, patents of poor quality will issue. The fear that confused judges will succumb to the "gee whiz" phenomenon and uphold invalid patents is fundamentally a concern about patent quality. Another quality concern is that the flood of new patent applications, lack of prior art, and lack of appropriate expertise will render the PTO ineffective at properly weeding out BMPs that are overly broad, or unoriginal, or both.

These quality arguments, however, are rendered nugatory by the wait-and-see urgings of some pro-BMP commentators. By definition, the prior art database will improve as a result of the influx of patent applications. The PTO has already gone on record saying that they will make the appropriate increases in manpower and expertise to provide the necessary reviews of the patent applications. Thus, with greater wealth of prior art to evaluate novelty and greater resources to ensure that patent applications are not overly broad, the major causes of poor quality patents are being eliminated.

Furthermore, as the State Street opinion emphasized, whether a patent is overly broad has nothing to do with its subject matter (e.g., whether the invention constitutes a "business method" or another type of invention). The appropriate scope of a patent is governed by the requirements of novelty, nonobviousness, and enablement. Thus, BMPs that are of poor quality because they are overly broad should issue no more frequently than patents associated with other subject matter, once the PTO increases manpower as planned to better deal with the influx. As for the "gee whiz" factor, it is hard to see how methods of doing business perplex judges more than other technical subject matter, such as biochemistry, biomechanics, or rocket

155 See Dreyfuss, supra note 22, at 268–69.
156 See id. at 270.
157 See id. at 269; Guffey, supra note 6, at 28; Ostrow, supra note 61, § 7; Raskind, supra note 24, at 84.
158 See Ostrow, supra note 61, § 7.
159 See Berkowitz, supra note 64, at 9.
160 See Berkowitz, supra note 64, at 9; Ostrow, supra note 61, § 7.
161 See Berkowitz, supra note 64, at 9; Ostrow, supra note 61, § 7.
163 35 U.S.C. §§ 102, 103, 112 (1994); see State Street, 149 F.3d at 1375 n.10.
164 See Berkowitz, supra note 64, at 9.
Indeed, the “quality” arguments have some merit, but the force of these concerns will quickly diminish with time.

The efficiency concerns center on the premise that BMPs are anti-competitive and anti-innovative. As discussed above, foreclosure of certain business approaches on the Internet is considered by some to be egregiously inefficient. But, when these concerns are distilled, they are once again concerns about patent scope and novelty. The concern is really that broad patents precluding other companies from engaging in otherwise common-sense business techniques force the other companies to engage in less efficient techniques. Admittedly, the scope of patentable subject matter has increased as a result of State Street and its progeny, but the scope associated with how broad a given patent claim can be has not increased. If the PTO ensures that BMPs are not overly broad or obvious so as to corner a larger-than-deserved sector of the Internet, then the BMPs will actually inspire competition and innovation.

Moreover, to the extent these efficiency criticisms are not based on scope and nonobviousness problems, the criticisms are more appropriately described as indictments of patents as a whole. All patents grant monopolies, with all of their associated efficiency problems. To argue that a patent (any patent) excludes competition and thus innovation misses the point of patent law. Indeed, those efficiency arguments are more in line with antitrust analysis. As is the case with all patents, competitors not only concentrate on developing new concepts outside the scope of the protected invention, but they will also analyze the existing patents and attempt to tweak and improve on

\[\text{165 See Dreyfuss, supra note 22, at 270.}\]
\[\text{166 See id. at 274.}\]
\[\text{167 See id.}\]
\[\text{168 See id.}\]
\[\text{169 See id. at 270.}\]
\[\text{170 See Scheinfeld, supra note 1, at 21 ("[A]dequate protections against overbroad monopolies on business methods would be assured by the separate sections of the patent code requiring that patents issue only for novel and non-obvious invention, and mandating that such inventions must be described with specificity and definite scope.").}\]
\[\text{172 See Hulse, supra note 35 at 494–95 ("Because free trade is a cornerstone of its capitalist economy, the United States has a public policy that strongly disfavors economic monopolies.").}\]
\[\text{173 See Raskind, supra note 24, at 67–68.}\]
\[\text{174 See GUIDELINES, supra note 21, § 1.0 ("The antitrust laws promote innovation and consumer welfare by prohibiting certain actions that may harm competition with respect to either existing or new ways of serving consumers.").}\]
the idea. There is no reason to believe that BMPs of appropriate scope, novelty, usefulness, and nonobviousness should cause different reactions in the market place. Thus, it is inappropriate to use BMPs as the whipping post for the entire patent system. BMPs will, once the kinks are worked out, inspire the same level of competition and innovation as do other species of patents.175

The consistency arguments are not as easy to dismiss, however. The consistency charge is this: there is no need for patent protection of business methods.176 From a policy perspective, it is inconsistent to afford patent protection to BMPs because business methods do not have the concomitant need for spurred innovation, anti-free rider protection, or disclosure incentives as do other inventions.177 Without these needs, it is argued, patent protection of business methods is wholly gratuitous.178

The consistency argument, although the most powerful of the three, fails for two critical reasons. First, although the consistency argument is compelling with respect to business methods as a whole, business methods on the Internet do need protection.179 For many Internet companies, the business method is the business.180 Because of the Internet's power as a consumer-business interface, many e-commerce companies are simply providing consumers easy access to products or services of other companies. Thus, for many of these online businesses, it is the business technique that implements the interface that defines the company. In these instances, the business technique is the only facet of the enterprise deemed by the company to be valuable enough to necessitate protection.181 Accordingly, the single most important asset of many of these Internet companies is their patents.182 Because the methods define and identify the online businesses, anti-free-rider concerns run high.183

The consistency arguments also fail because they ignore the realities of the Internet business sector. Even if BMPs cannot be rational-

175 See Ostrow, supra note 61, § 7.
176 See Dreyfuss, supra note 22, at 274; Raskind, supra note 24, at 102.
177 See Dreyfuss, supra note 22, at 274; Raskind, supra note 24, at 102.
178 See id.
179 But see Raskind, supra note 24, at 64.
180 See Scheinfeld, supra note 1, at 24–25.
181 See id.
183 But see Raskind, supra note 24, at 78 (minimizing "free-riding" and other abusive practices as grounds for granting patent protection to business methods).
ized by the same justifications as generic patents, failure to provide patent protection to Internet BMPs would sound the death knell for innovation in that arena.\textsuperscript{184} Without patents for online business methods, innovation would be stifled in that entrepreneurs would never get off the ground.\textsuperscript{185} Practically speaking, small start-up businesses would never receive venture capital funding without some form of protection. From a funding viewpoint, jumping into the Internet with a novel idea without patent protection is akin to jumping into a tank of starving piranhas. Even if funding was somehow secured, without patent protection, the larger, more sophisticated shops would quickly pirate the innovative business method and there would be no opportunity for any brand loyalty to develop.\textsuperscript{186}

**Conclusion**

The arguments against BMPs are compelling, both in their content and quantity. Most of the criticism, however, seems like an underlying indictment of the patent system overall. By definition, the patent system strives to strike the delicate balance between encouraging innovation and maintaining the necessary competition so that our free economy can flourish.\textsuperscript{187} Over the last two years, the newness of BMPs has resulted in the significant, albeit temporary, upsetting of that balance. Some of the BMPs have admittedly suffered from a "garbage in, garbage out" paradigm.

Like any new patentable subject matter, however, time likely will work out the kinks.\textsuperscript{188} The end result, as far as the Internet is concerned, will actually be innovation and competition. With the steady influx of prior art and more knowledgeable examiners, the patents that the PTO finds valid will be more narrowly issued.\textsuperscript{189} Likewise, the courts will narrowly construe these patents. This paradigm shift will enable entrepreneurs to protect their innovative ideas, receive necessary funding, and provide their novel e-commerce strategy to society, without cornering a larger-than-deserved market for themselves.

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\textsuperscript{184} See Scheinfeld, supra note 1, at 24–25.

\textsuperscript{185} See id.

\textsuperscript{186} See Dreyfuss, supra note 22, at 270–71.

\textsuperscript{187} See Dratler, supra note 32, § 1; GUIDELINES, supra note 21, § 1.0.

\textsuperscript{188} See Merges, supra note 117, at 588; Scheinfeld, supra note 1, at 24.

\textsuperscript{189} See Ostrow, supra note 61, § 7.