

From the Patent Practice at Hunton & Williams

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2004 Business Methods Customer Partnership Meeting Held To Address Status Of U.S. Patent and Trademark Office's Handling of Patent Applications Directed to 'Business Methods'

On April 27, 2004, the United States Patent and Trademark Office's (PTO) Technology Center 3620 (TC 3620) issued invitations to attorneys, agents, inventors and other PTO "customers" who deal regularly with patent applications that are classified as Class 705 (where the PTO classifies inventions that it believes relate to business methods). TC 3620 includes all art units at the PTO that examine Class 705 applications, which includes art units 3621 to 3629.

Since 2000, when then-PTO Director Q. Todd Dickinson initiated the Business Method Initiatives, the PTO has held annual meetings with selected invitees to provide a status report on its operations that handle business method-related inventions and to receive feedback from the invitees regarding any additional changes, improvements or problems that they experience.

Status Update on Patent and Trademark Office's Handling of Applications Directed to Business Method Inventions

TC 3620 Director John Love presented the status report on his group's handling of applications. While he freely admitted that



Contacts

Washington, DC
1900 K Street, NW
Washington, DC 20006-1109

Brian M. Buroker
(202) 955-1894
bburoker@hunton.com

Stephen T. Schreiner
(202) 955-1575
sschreiner@hunton.com

there is “plenty of room for improvement,” he indicated that his group had “turned the corner” on (1) reducing pendency of applications directed to business methods; (2) improving the quality of those business method patents that issue; and (3) addressing concerns dealing with the prior art databases TC 3620 has available for searching for existing art for such applications.

Reducing Pendency

Director Love indicated the filings for patent applications in Class 705 have finally leveled off at a rate of about 6,000 applications per year, down slightly from a high of about 8,000 in 2001. Despite the leveling off, Director Love indicated that the current pendency (i.e., the average time from filing to issue for a specific application) is approximately 36 months. This is obviously significantly higher than the Patent and Trademark Office’s goal of an 18-month pendency. To address concerns of the invitees regarding the pendency rate, Director Love announced that, if the current budget is approved, TC 3620 will be allotted an additional 20 examiners. This staff increase, coupled with the leveling off of filings, is expected to reduce pendency.

Improving Quality

Director Love pointed to the newly initiated and recently instituted train-

ing program for mid-level examiners as an example of TC 3620’s improved quality. He also remarked that the allowance rate of applications in Class 705 was less than the PTO’s average due, in part, to closer examination and review by his group. Moreover, identification of Class 705 patents assignees revealed that some of the most patent-savvy companies were still obtaining the patents that issue from their group. Director Love iden-



tified the following top 10 assignees of patents in Class 705 from the time period 1999 through 2003: IBM, Pitney-Bowes, Fujitsu, NCR, Hitachi, Walker Digital, CitiBank, Microsoft, AT&T, and Matsushita Electric. Director Love also identified the remaining top 25 companies, whose applications are growing, including Visa International, General Electric, Priceline, and Amazon.com.

Art Databases

Director Love indicated that some 40 different organizations have been working with TC 3620 to provide databases and prior art references dealing with business methods to bolster the current library of online and other references available to its examiners. Organizations providing information include the NASDAQ, the American Banking Association, Oracle, The Security Industry Association, and a number of other finance and business-related institutions.

Business Method Examining Core Trying To Raise The ‘Business Method 101 Rejection’ from the Dead

Perhaps the most controversial topic discussed at the business method customer partnership meeting was TC 3620’s revelation that it has a special policy for evaluating method claims under Section 101 based on its readings of the Federal Circuit’s decisions

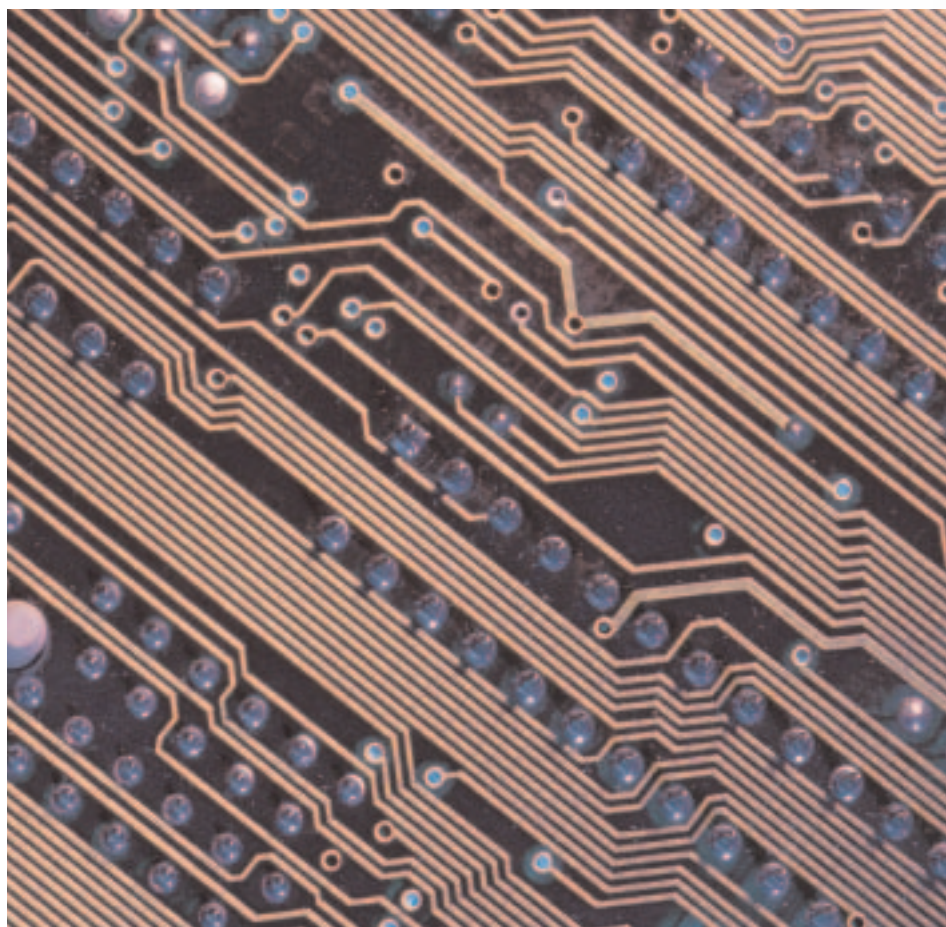
in *State Street Bank* and *AT&T v. Excel Communications*, as well as a number of cases from the Federal Circuit's predecessor, the Court of Customs and Patent Appeals, from the 1970s. Pointing specifically to the

tial, they use *Bowman* as a guideline for how PTO believes Section 101 should be interpreted during the post-*State Street Bank* and *AT&T v. Excel* era. Relying on CCPA decisions from the 1970s and the PTO's own gloss on

technological arts in a nontrivial manner. For further guidance under the standard, the group indicated that the word useful means that the invention has some practical utility or real world value. The word concrete, in their minds, means that the method invention claimed provides some assured or reproducible result. And, finally, the tangible result terminology means that it is not disembodied from the physical world, i.e., an abstract idea or number.

The second requirement—that the method claim produce the result using technology in a nontrivial manner—was not further explained. The Patent and Trademark Office, though, provided a few examples of what it views as criteria meeting the second requirement.

For example, a method claim that merely recites steps that can be done manually (by hand) or mentally (in a person's head) would not meet the second prong because there would be no use of technology in a nontrivial manner, even if the result was a useful, concrete and tangible one. Thus, according to TC 3620, a method claim that recites a computer-implemented method in its preamble would be insufficient because there still is not a sufficient amount of nontrivial interaction of technology. Adding some element of interaction with the



PTO's Board of Patent Appeals and Interferences' recent nonprecedential decision in *Ex parte Bowman*, 61 U.S.P.Q.2d (BNA) 1669 (BPAI 2001), the PTO asserts that method claims can still be subject to rejections under 35 U.S.C. § 101. While the Patent and Trademark Office asserts that its ground for rejection is not based on *Bowman* because it is nonpreceden-

State Street Bank and *AT&T v. Excel*, the TC 3620 indicated that it has begun rejecting method claims if those claims do not meet the following two criteria.

First, it is TC 3620's view that a method claim must (1) "produce a useful, concrete, and tangible result" and (2) produce that result using the

computer in one of the steps of the method would, according to this technology group, however, meet its newly created interpretation on Section 101. It appears that TC 3620 reasons that the abstract idea exception to Section 101 applies only when

Pending Precedential Opinion from the Board of Patent and Trademark Office Board of Appeals and Interferences Expected in the Next Several Months

Despite training all TC 3620 examiners on this new view of Section 101,

Interferences recently heard a case in which this analysis was applied.

A precedential opinion indicating the propriety of these rejections and that standard was requested by TC 3620. TC 3620 indicated that they expect that opinion to issue from the Board of Patent Appeals & Interferences in the next several months.

Responding to Section 101 Rejections for the Meantime

While TC 3620 would not indicate exactly how it would respond if an adverse Board decision is rendered, it was apparent that it would take guidance from the Board of Patent Appeals and Interferences.

Accordingly, given the possibility of a Board reversal, we recommend that any method claim subject to one of these new 101 rejections not be amended over the next several months until this issue is resolved.

If you have any further questions about this meeting, please feel free to contact Hunton & Williams partners Brian M. Buroker or Stephen Schreiner.



mental computations and manual plotting are performed. Unfortunately, they cite no case that stands for that proposition.

the Patent Office readily admits that there is no precedential authority upholding a rejection of claims under Section 101 using its current analysis. Nevertheless, a five-judge panel from the Board of Patent Appeals and

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