

# Patentability of Business Methods

By Michael N. Cohen, Esq.

## Patentability of Business Methods

More frequently, many of my clients have been approaching me regarding the topic of patenting their unique business model, i.e. methods of doing business. So can a method of doing business be patentable? Yes. In 1998, the United States Court of Appeals for the Federal Circuit ruled that the patent laws did extend to protect any method so long as it produced a “useful, concrete and tangible result.” The case spawned a slew of “business method patents” and “Internet patents.” The most cited example of business method patents has been Amazon's “One-Click” system, which allows a prior customer to place a new order without having to reenter the customer's address and credit card data when placing an order online (U.S. Pat. No. 5,960,411). Some other examples of business method patents are: an internet auction system in which a user names the highest price they are willing to pay and the first seller gets the purchase (U.S. Pat. No. 5,794,207); a method that gives a monetary incentive to citizens to view political messages on the Internet (U.S. Pat. No. 5,855,008).

Business method patents have raised quite a controversy over the years, primarily because many felt that the United States Patent and Trademark Office (“USPTO”) had issued many undeserving business method patents. What may have been a response to the criticism, in 2001 the USPTO required that business method inventions must apply, involve, use or advance the “technological arts.” The requirement essentially meant that it could be met by requiring that the invention be carried out by a computer.

However, in October 2005, the USPTO held that there is no requirement of the “technological arts.” The USPTO reached that conclusion in *Ex parte Lundgren*, Appeal No. 2003-2088 (BPAI 2005) which focused on a patent application that claimed a “method of compensating a manager.”

So what does all this mean to prospective inventors? The Lundgren case has essentially expanded the scope of business methods patents by giving inventors the opportunity to pursue patent protection for inventions that do not have a technological aspect. Therefore, business method patent applications such as the one in Lundgren, (which claimed a method of steps for determining the salary of an executive so as to foster competition among other executives) which were initially rejected by the USPTO, are now getting allowed and ultimately issued. Now before everyone starts getting trigger happy for business method patents, the USPTO did provide guidelines that should be met. The patent should either transform an article or physical object to a different state or thing, or, the claim method should produce a useful, concrete and tangible result. For now, it appears that the Lundgren case has rekindled some of the optimism of business method patents that has been extinguished for quite some time.

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