

METHODS OF OPERATING YOUR BUSINESS ARE PATENTABLE By: Jeffrey A. Travis

What if Federal Express had been able to patent overnight delivery back in the early 1980's when they introduced the "Overnight Letter" to the United States market? If it were possible, FedEx would have been the sole provider of overnight delivery services for almost 20 years through a 'business method patent' granting them the exclusive right to prevent others from doing the same.

Until fairly recently, business method patents have not been recognized as statutory patentable subject matter. Yet, although traditionally rejected by courts and the Patent & Trademark Office, (PTO) there has been no explicit barrier preventing their existence. In fact, a dissenting judge in a recent decision by the Board of Patent Appeals and Interferences appropriately remarked that,

"[O]ne can scrutinize as many court decisions as one may like, but there is no decision that unequivocally holds that [the invention] on appeal before us must be granted a patent. Likewise, there is no decision out there that unequivocally holds that the [invention] on appeal must be denied a patent." *Ex Parte Lundgren*, Appeal No. 2003-2088 (BPAI 2005)

The patent in question was later recognized as patentable subject matter. What was it? It was a patent granted for a method of compensating a manager that included certain incentives for not exceeding "marginal costs." In its decision, *Lundgren* affirmed as patentable a pure business method by rejecting a "technological arts" test used by the examiner of the *Lundgren* patent application.

This decision by the Board of Patent Appeals was the inevitable outcome of a trend that increased momentum in the early 1990's with the advent of a new electronic marketplace. As computer technology increased, so did the demand for protection for the stream of ideas flowing from internet entrepreneurs, developers, and venture capitalists who wanted greater protection for their software. Indirectly, the push to protect software through computer-related methods exponentially advanced the cause for patenting general, non-computer methods of doing business.

By 1998, the Court of Appeals for the Federal Circuit (the highest patent court under the Supreme Court) upheld a patent for "a data processing system for implementing an investment structure for the administration and accounting of mutual funds." Specifically, they held that once an idea is reduced to a practical application (e.g., a computer program)

to perform a useful, concrete, and tangible result, it is patentable. Unfortunately, the 1998 decision only made a narrow claim of patentability as to the data processing system at issue, thereby leaving room for patent practitioners to guess as to how broad the holding should be interpreted. The debated question was whether the holding should be interpreted to also include non-technical fields such as pure business methods that were capable of meeting the "useful, concrete, and tangible result" test?

Ex Parte Lundgren affirmatively answered this question and has solidified business methods as patentable subject matter. Could Congress or even the Supreme Court invalidate the *Lundgren* patent or others like it? Certainly they could, although it is unlikely given the support and trend away from a more limited interpretation of patentability. For

TIME IS MONEY: The Cost of Delaying Enforcement of Your Rights

By: Mark H. Plager, Esq.

As an owner of intellectual property rights time is a key factor. Time is the measuring stick for the protection of your intellectual property rights. For issued patents, trademarks and copyrights, protection is for a finite

period with the exception that trademark rights are renewable at set intervals. With respect to enforcement, delayed enforcement weighs against the imposition of preliminary injunction, i.e., shutting your competition down while the litigation proceeds over the next year to two years.

A preliminary injunction is an equitable mechanism to stop a party from engaging in infringing conduct at the outset of litigation. Because this mechanism occurs at the outset of litigation rather than after all the facts and arguments have been presented, the standard to obtain a preliminary injunction is rigorous. Because an injunction is an equitable remedy, a remedy granted out of fairness, Court's take into account the conduct of the petitioning party and balance that against the conduct of the party committing the alleged infringement.

To obtain a preliminary injunction, the petitioning party must demonstrate either (1) a combination of probable success on the merits and the possibility of irreparable harm, or (2) that serious questions are raised and the balance of hardships tips in its favor. This standard works on a sliding scale, i.e., if the degree of harm is great the likelihood of success can be of a lesser probability.

Even if the above elements are established in support of a motion for preliminary injunction, the aggrieved party may still lose as a result of their own dereliction of duty to enforce their rights. This dereliction is legally known as "Laches and Estoppel." To successfully invoke laches the alleged infringer must establish (1) the intellectual property owner delayed in filing suit for

an unreasonable and inexcusable length of time after he/she knew or should have known of the infringement, and (2) the delay resulted in material prejudice or injury to the alleged infringer. To invoke estoppel, the infringer must establish (1) the owner through misleading conduct, led the alleged infringer to reasonably infer that the owner did not intend to enforce his/her rights against the infringer, (2) the infringer relied on the misleading conduct, and (3) due to the reliance, the alleged infringer would be materially prejudiced if preliminary injunction was granted.

Consequently, the proverb "He who hesitates is lost" applies with respect to enforcement of intellectual property rights. Failure to enforce in a timely manner will allow your competitor to continue to compete against you as well as pro-

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16152 Beach Blvd., Suite 207
Huntington Beach, CA 92647-3806

Phone: +1.714.698.0601
Kern County Phone: +1.661.472.1363
Fax: +1.714.698.0608

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BUSINESS METHODS Cont'd **TIME IS MONEY** Cont'd

now, patents, long the field of engineers and techies of all kinds, has opened up to new experts in the field composed of marketing and business gurus willing to boldly explore the psyche of the American consumer.

Do you employ a method of doing business or computer operation which you believe is unique? If so, we would be happy to talk to you regarding whether your business method is, in deed, protectable subject matter under applicable patent laws, as well as pursuant to trade secret or copyright laws.☼

viding them with an additional revenue source to fund their defense. On the other hand, the successful prosecution of a motion for preliminary injunction immediately changes the complexion of a lawsuit, thereby placing the defendant in a more vulnerable position and increasing the likelihood of early settlement without having to expend substantial sums to litigate through trial and appeals.☼

MARK YOUR CALENDARS:

May 6 - Presentation by Jeff Travis, *Protecting Your Ideas*, Beale Library, Bakersfield, CA . For more information go to:
www.kerncountylawlibrary.org/lawweek.pdf ☼

September 8 - Presentation by Mark Plager, *Patent Claims Interpretation*, Inventor's Forum, Costa Mesa, CA. For more information go to: www.inventorsforum.org ☼

DID YOU KNOW?

The 5,000,000th patent was for a bioengineered organism that breaks down almost any plant material in one step with its byproduct being ethanol. This "superbug" has paved the way for making inexpensive ethanol a viable competitor to fossil fuels and as a way to create ethanol from the biomass that makes up 80% of all landfills.

NEWS AND NOTES

EAST COAST SWING: Between June 1 and 11, Mark Plager will be in New York Tri-State Area. East Coast client's please call for any appointments.

CONGRATULATIONS to Jerome Rosenstock, Of Counsel, on the upcoming wedding of his daughter, Lauren, this summer.

YOUR TEAM.

