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# Client Alert

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## INTELLECTUAL PROPERTY

### European Patent Office Takes Hard Line Against Business Method Patents

by James G. Gatto and Christopher J. Cuneo

In stark contrast to U.S. Patent policy, the European Patent Office (EPO) recently reiterated its view that methods of doing business *per se* are excluded from patentability pursuant to Article 52 (2)(c) & (3) EPC. In the U.S., business method patents are permitted and have been for quite some time. However, it was a relatively recent decision (the *State Street Bank* case) that confirmed the patentability of business methods. This decision has led to a flood of business method applications in the U.S. The EPO further stated that in both European and Patent Cooperation Treaty (PCT) applications, claims to such methods, in the absence of any "apparent technical effect,"<sup>1</sup> will not even be searched because there is no useful purpose in doing so. Nor will the EPO search "common-place technological implementation"<sup>2</sup> of such methods. Additionally, the EPO advised that an international preliminary examination on a PCT application is not required if its subject matter is a method of doing business (Rule 67.1(iii) PCT).

Despite recent advances in the global harmonization of patent law, the U.S. and Europe remain sharply divided on the patentability of business methods. The EPO's refusal to search or grant business method patents is important for many reasons, and is particularly relevant in connection with PCT applications that designate the EPO as the international searching authority. (PCT applications may designate either the U.S. PTO or EPO as the searching authority). Under PCT rules, applications that do not have an international search report may not get the benefit of an international preliminary examination. Obtaining an international preliminary examination is a cost effective way for applicants to evaluate the desirability of pursuing international patent protection before spending significant sums of money to file national phase applications. Therefore, one ramification of the EPO policy is that PCT applicants that designate the EPO as the international search authority for business method applications will be deprived of the potential cost saving benefits of international preliminary examination.

<sup>1</sup> The qualifier "apparent technical effect" means that the invention is tied to hardware in some manner.

<sup>2</sup> This means that claiming a computer implementation of an old business method is not patentable.

When considering patent protection for business method inventions, applicants should carefully formulate an international filing strategy with a competent attorney. To avoid foregoing the benefit of international preliminary examination due to the EPO policy, among other things, PCT applicants should consider designating the U.S. PTO as the international search authority for business method applications. European companies that first file patent applications in Europe, and do not seek business method claims due to the EPO policy, should consider consulting a U.S. patent attorney to determine whether a separate U.S. application should be filed to seek business method claims.

*This alert was prepared by James Gatto, (703 464 8182, jggatto@mintz.com) co-chair of the Intellectual Property Section at Mintz Levin. Mr. Gatto has significant expertise in obtaining and litigating business method patent applications. He has lectured frequently on this topic and has been relied on for expert commentary relating to this subject by many publishers, including The Wall Street Journal, ON24, Industry Standard and other prominent publications. Mr. Cuneo, a patent associate at Mintz Levin, assisted in the preparation of this alert.*

Mintz Levin has significant experience in advising clients on developing patent filing strategies for business methods. Please contact us if you would like additional information about patent protection for your business method or other inventions. In addition, you may register at [IP@mintz.com](mailto:IP@mintz.com) to receive periodic updates, alerts and analysis of important intellectual property issues.