Amazon's Internet patent takes a fall
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A test of the usefulness of "method of doing business" patents when it comes to the Internet.

Amazon.com, owner of the famous "one-click" Internet shopping patent, suffered a setback on February 14 when the U.S. Court of Appeals for the Federal Circuit vacated a preliminary injunction that it had earned in its battle against rival Barnes and Noble.

The patent, U.S. Patent No. 5.960,411, was used during the 1999 Christmas shopping season to shut down the BN web site's "Express Lane" shopping feature. Although the lower court in Washington state had determined that the patent was likely to ultimately be valid and infringed, the appellate court said that BN had mounted "a substantial challenge" to the validity of the patent, and therefore a preliminary injunction was not warranted.

The case is important to Internet companies because it has been seen as a bellwether on the usefulness of "method of doing business" patents as applied to the Internet.

Companies in this area argue that patents are necessary to encourage investments in online businesses. Critics of the Internet business method patents argue that the Patent and Trademark Office ("PTO") is granting patents on old, common business techniques applied to the Internet.

What's Prior Art?

The PTO admits that it does not have all the facilities it would like to enable it to find exactly whether a method is "old" and is simply being applied to the Internet, although it has implemented steps to increase scrutiny and improve the quality of the business method patents it issues.

During the 2000 fiscal year the PTO received about 5,000 applications for business methods relating to computers and the Internet, and it granted about 1,000 such patents.

The case illustrates the difficulties Internet and software companies face in predicting the fate of their patents. The Amazon patent covered a method and system that allowed a shopper to order an item using only a "single action," such as a single mouse click. It was intended to overcome difficulties inherent in the "shopping cart model," which required the shopper to go through a virtual "check-out counter" when done shopping. In the shopping cart model, purchases often would abandon the process before completing the purchase. With "one-click" the order was completed at the first click.

The appellate court concluded that BN's "Express Lane" shopping feature most likely infringed the Amazon patent. However, it overturned the grant of preliminary injunction in view of the lower court's "failing to recognize that BN had raised a substantial question of invalidity" in view of various prior art references. ("Prior art" is a term used to describe earlier patents, articles, programs, or other items that came before the date of invention of the patent, and that can be used to declare a patent invalid.) Because the case involved a preliminary injunction — that is, one that was granted before trial and could be taken back once the trial began — the analysis of invalidity was different. In resisting the preliminary injunction, said the court, BN did not need to make out a case of actual invalidity.

"Vulnerability is the issue at the preliminary injunction stage, while validity is the issue at trial," said the court. The showing of a substantial question as to invalidity thus requires less proof than the clear and convincing proof needed to establish invalidity itself. Even though the preliminary injunction was reversed, Amazon still has an opportunity to gain a permanent injunction at the trial.

Patent claims don't include Internet

One of the pieces of prior art discussed by the court was the "CompuServe Trend System." That system allowed subscribers to obtain stock charts for a surcharge of 50 cents per chart, which, said the appellate court, appears to have used "single action ordering technology" of the Amazon patent. The lower court, when it granted the preliminary injunction, dismissed the significance of the CompuServe system partly because it was not a world wide web application. "This distinction is irrelevant," said the appellate court, noting that the claims of the patent do not mention either the Internet or the World Wide Web, "with the possible exception of . . . claim 15, which mentions HTML." Moreover, the Amazon patent explicitly notes that "one skilled in the art would appreciate that the single-action ordering techniques can be used in various environments other than the Internet," said the court.

More important to the court, however, was the fact that the older CompuServe system, which had been in use since the mid-1990's, had a type of "single-action" ordering system. Once the "item" to be purchased (in this case, a stock chart) had been displayed (by typing in a valid stock symbol), only a single action (clicking the mouse on the "Chart" button) brought immediate electronic delivery of the item. "Once the button labeled 'Chart ($.50)' was activated by a purchaser, an electronic version of the requested stock chart would be transmitted to the purchaser and displayed on the purchaser's computer screen, and an automatic process to charge the purchaser's account 50 cents for the transaction would be initiated." The court held that this was essentially the same thing as what the patent showed.

While the battle between Amazon and BN continues, both in court and in the marketplace, the patent case demonstrates how hard it is to predict what will happen in a patent case on Internet technologies. There is so much more "prior art" than the PTO can possibly locate, and the way that technology strikes one judge will be different from

another. Even so, the patent afforded Amazon.com a significant distinction in the marketplace for a long period of time (in "Internet" terms). Moreover, Amazon may prevail as yet once the case proceeds to trial.

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