Effectively Patenting E-Commerce
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What do the following companies have in common: The Gap®, Levi Straus®, Victoria's Secret®, and Starbuck's®? They all have potentially patentable subject matter embodied in their on-line retail operations.

In recent years, the patent community has received a wealth of guidance from the courts with respect to what qualifies as statutory subject matter before the U.S. Patent and Trademark Office. Applied to the Internet, this protection stems from the concrete to the ethereal. From the hardware forming the fundamental computing devices of the Internet's backbone to the software animating a downloaded graphic to the layout of icons on a computer screen, the scope of what is now statutory is reflected in the proliferation of filings in varied technological areas. These areas include, among other things: data encryption; hardware and software interfaces; communication protocols; data compression techniques; electronic commerce; and computer networking methods.

In light of recent cases, these technologies may be protected using not one preferred form, but rather through a variety of different claim forms. In essence, these relatively new claim formats allow patent attorneys to selectively target their claims at a specific product of a specific entity. For example, in addition to claims covering a computer system for running a disclosed program, claims may be directed to a CD-ROM storing the program.

Simply put, it's an arms race. It does not matter if you are a small software developer who markets a single enhancement to someone else's program or a large corporation with significant patent holdings. All may be targets of patent holders. The Internet realm of patents makes the marketplace all the more dangerous as more companies enter the patent arena with their own stockpile of patents and patent applications. Fueling this patent stockpiling is the U.S. Patent and Trademark Office issuing patents on inventions in areas recently recognized to be statutory and with claims in a variety of new formats. The wise company is actively acquiring its own patent arsenal.

Expanding The Scope Of Coverage

Through recent cases, we have received a greater understanding of where the statutory line actually resides with respect to computer-related inventions. The fundamental issue has shifted from "what is statutory?" to "what is the best way to protect the disclosed invention?" This new approach supports Internet-related companies' upsurge in patent application filings (and resulting granting of patents) in these newly protectable areas. Funding for this upsurge has come, in part, from the Internet's use as a means of commerce. In contrast, start-up companies appear to be basing their filings not solely on current revenue, but rather on the goal of protecting their entry into the swelling Internet wave.

Protecting Internet-Related Inventions

Leading the Internet's increase in popularity is e-commerce. The Internet accounted for $10.4 billion in annual sales in 1997. At least one estimate places the annual sales figure to increase to over $300 billion in 2002 and to between $1.8 and 3.2 trillion in 2003. If companies can bring the next killer-product to market while adequately protecting their intellectual property via patents, then they may very well find the proverbial pot of gold at the end of the rainbow. Having an income-generating product with the ability to exclude others from making, using, or selling their invention as claimed can have significant positive effects on a company's bottom line. Indeed, companies are pursing this strategy, for example, Netcentives (on-line frequent-buyer programs); Open Market Inc. (on-line advertising, purchasing and payment); Amazon.com Inc. (on-line ordering using credit cards); First Virtual Holdings Inc. (on-line payment using off-line agents); and V-Cast Inc. (automatic downloading of information to subscribers). In light of the new statutory grounding of computer-related inventions, retailers with an on-line presence (including The Gap®, Levi Straus®, Victoria's Secret®, and Starbuck's®), not normally considered Internet companies, can enter the patent realm as easily as any other company. This ability for anyone to garner patent protection and become a player in the patent licensing market can be problematic if a company, thinking it

knew who its competitors were, failed to actively pursue its own patent portfolio. Accordingly, a general approach of actively pursuing a corporate patent portfolio may indeed become the Internet industry's norm.

Need For Targeted Claims

As set forth in 35 U.S.C. §271, one may be found to infringe in three ways: directly infringe a patent, induce the infringement of another, and contribute to the infringement of another.

Commonly, the goal is to sue your competitors and not your customers. So, drafting claims to dovetail your competitors' activities into a direct infringement becomes paramount. While poorly targeted claims require inclusion of your potential customers to prove direct infringement, well-targeted claims ensure that only your competitors are needed to prove direct infringement. Therefore, drafting claims focused on the combinations and subcombinations of the invention enables the patent owner to obtain more complete relief targeted at the most significant infringing activity. In addition, targeted claims simplify the proof needed in proving infringement. While the Patent Office's Software Guidelines provide general frameworks for drafting claims, an increased level of deftness is required in customizing claim sets to target your competitor.

Take Action Now

It is now clearer than ever: What you see is what you get. Funds need to be spent on the proper investigation and drafting of an application and related prosecution. The courts have stated that they would rather shift the cost associated with achieving broader claim coverage to the patentee during prosecution than allow broad play of the Doctrine of Equivalents during enforcement of the patent. *Sage Products v. Devon Industries, Inc.*, 44 U.S.P.Q.2d 1103 (Fed. Cir. 1997).

As patent attorneys live and die by the written word, their clients do too. Now, more than ever, a premium is placed on forethought in patent drafting. With the noted increase in patents issuing on Internet-related inventions and the costs associated with litigating these patents, time is of the essence to protect your intellectual property now.

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