

# **SELECTED TOPICS IN INTELLECTUAL PROPERTY IN FINANCIAL SERVICES**

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# Security Interests

- Federal Patent, Trademark and Copyright filing systems
- State filing systems
- Risks to trademarks

# Perfecting Security Interests in Copyrights

- Only Circuit Court of Appeals with case law is Ninth Circuit
- *In re World Auxiliary Power Co.*, 303 F.3d 1120 (9th Cir. 2002).
- For registered copyrights, recordation must take place in Copyright Office
- For unregistered copyrights, state UCC filing is sole manner of perfecting

# Security Interests in Copyrights

- Some courts held that Federal scheme was sole manner of perfecting all copyrights
- *In re AEG Acquisition Corp.*, 161 B.R. 50 (B.A.P. 9th Cir. 1993)
- *In re Avalon Software Inc.*, 209 B.R. 517 (D. Ariz. 1997)
- Belt and suspenders approach: File in both Copyright Office and state
- Federal filing requires registration of work

# Security Interests in Patents

- Both Federal and State filings available
- Case law is limited as to where to perfect
- Ninth Circuit has held that State scheme is exclusive: *In re Cybernetic Services, Inc.*, 252 F.3d. 1039 (9th Cir. 2001).

# Security Interests in Trademarks

- Trademarks are only transferable with goodwill
- Control of quality by owner a requirement of a valid trademark
- Transfer of title to a trademark to a lender imposes an obligation of quality control on the lender

# Security Interests in Trademarks

- Something additional must be assigned with the mark to avoid an assignment in gross
- Machinery and equipment for manufacturing a product is sufficient.
- *In re Roman Cleanser Co.*, 802 F.2d 207 (6th Cir. 1986) held formulas and customer lists, to be sufficient.

# Security Interests in Trademarks

- In 3<sup>rd</sup> Circuit, *In re Specialty Foods of Pittsburgh, Inc.*, 91 B.R. 364 (Bankr. W.D. Pa. 1988) followed *Roman Cleanser*

# Security Interests in Trademarks

- Federal scheme available for recording documents affecting title to Federal registrations and applications
- State scheme has been held to be exclusive for perfection by *Roman Cleanser*
- Other cases are consistent, but at district court level

# Business Method Patents

- Federal Circuit Case Law Requires a “useful, concrete and tangible result
- *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).
- Generally interpreted as requiring computer steps
- *Bilski* En Banc at Federal Circuit questions business methods as patentable subject matter

# Business Method Patents

- In *State Street Bank*, court held:
- the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces "a useful, concrete and tangible result"

# *Bilski* Issues

- (1) Whether claim 1 of Bilski's patent application claims patent-eligible subject matter under 35 U.S.C. § 101?
- Bilski's claim 1 is a method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price
- No steps are limited to machine implementation

# *Bilski* Issues

- (2) What standard should govern in determining whether a process is patent-eligible subject matter under section 101?
- PTO Proposal: (1) Tied to a particular machine, or changing articles or materials to a different state; and (2) not an abstract idea, natural phenomenon or law of nature

# *Bilski* Issues

- (3) Whether the claimed subject matter is not patent-eligible because it constitutes an abstract idea or mental process; when does a claim that contains both mental and physical steps create patent-eligible subject matter?

# *Bilski* Issues

- (4) Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?
- Amicus Accenture: No, under *Diamond v. Diehr*, 450 U.S. 175 (1981): “include all methods or means which are not effected by mechanism or mechanical combinations.

# *Bilski* Issues

- (5) Whether it is appropriate to reconsider *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communs., Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?

# *Bilski* Issues

- Financial Services Industry proposes that steps such as display, printout, alarm, use of computer to run algorithm or gather data, does not render a process, otherwise not patentable subject matter, statutory subject matter
- *Parker v. Flook*, 437 U.S. 584 (1978)

# *Bilski* Issues

- Financial Services Industry amicus brief notes clever claim drafting
- Example: U.S. Patent No. 7,346,568, recites a method for offering shares of stock, where independent claim ends with: “wherein at least some communications regarding the offering of the shares over the offering stages are made via a computer network.”

# Validity

- Federal Circuit *Bilski* decision may render many business method patents either clearly invalid, or of questionable validity

# Federal Circuit's Comiskey Decision

- Combining a machine with a mental process satisfies Section 101
- Court states that routine addition of modern electronics to unpatentable invention creates a prima facie case of nonobviousness under Section 103

# Federal Circuit Comiskey Decision

- Conflates Sections 101 and 103
- Prima facie case of obviousness based on lack of patentable subject matter without technology

# Business Method Patent Issues

- Prior Art
- Prior patents and published applications are not as useful in the financial arena as in technical fields
- Examiners do search various periodicals, e.g., Journal of Accountancy, Business Lawyer, Mergers & Acquisitions

# Business Method Patents

- Examination Process is slow
- Patents issuing in 2008 often filed in 2000 to 2002 time frame

# Business Method Examination

- Examiners have engineering backgrounds, not financial backgrounds
- USPTO is taking steps to specialize Examiners in business methods arts
- E.g., new split between unit handling inventions related to securities, and unit handling credit processing

# Patent Landscape

- In Class 705, subclass 35, for “Finance”, 1132 granted patents
- U.S. Patent No. 4,346,442, for “Securities brokerage-cash management system” issued in 1982

# Patent Landscape

- Published, pending applications database lists 2216 published applications, in Class 705, subclass 35
- Actual numbers of financial services applications are much larger