

Regulating Software Patents

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Public Perception

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August 28, 2012 7:09 pm

American law is patent nonsense

by Deborah Malachuk



The season of US election conventions is upon us. Politicians will issue sentimental pronouncements about their faith in America. Meanwhile, from California, we have an algerian issue in why our faith has been eroding. A supposed pillar of the nation's capitalism, it just has been revealed in all its decadence.

Public Perception

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Google: Time to ditch our current software patent system?

Google's public policy director says at an Aspen conference that "these patent wars are not helpful to consumers."

by Susan McLaughlin | August 25, 2012 7:01 PM EDT

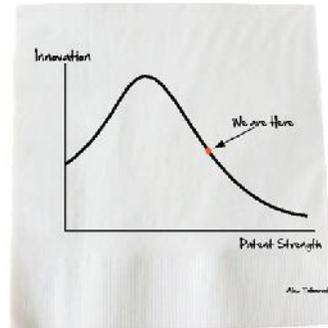


ASPCO, Co... Google suggested today that it might be time for the U.S. to ditch software patents.

"One thing that we are very seriously thinking about is the question of software patents, and whether in fact the patent system as it currently exists is the right system to enforce innovation and truly promote consumer-friendly patents," said Marko Oksanen, Google's public policy director.

Oksanen's remarks at the Technology Policy Conference were part of a panel discussion on the future of software patents.

Public Perception



Public Solution?



Problems with the Popular Solution

1. 35 USC 101
2. TRIPS
3. What's a software patent?

Today's Presentation: What the Courts, Congress, and PTO are doing/have done to regulate software patents

Problems with the Popular Solution

1. 35 USC 101

35 USC 101

Patentable:

any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof

What the Supreme Court has said

Patentable:

abstract ideas, natural phenomenon, laws of nature

What the Supreme Court has said (Mayo)

Patentable:

abstract ideas, natural phenomenon, laws of nature + **conventional steps**

What the Supreme Court has said (Mayo)

Patentable:

“simply stat[ing] a law of nature and adding the words ‘apply it’”

What the Supreme Court has said (Bilski)

Patentable:

Machine or transformation is a useful and important clue



What the Supreme Court has said (Mayo)

Patentable:

*Machine or transformation is a useful and important clue **but not a definitive test***



What the Federal Circuit has said (Ultramercial)

Patentable:

Practical applications of general concepts

What the Federal Circuit has said (Bancorp, Fort)

Patentable:

Meaningful limits on patent scope + abstract concept

What the Federal Circuit has said (CLS)

Patentable:

Meaningful limitations + abstract idea

What the Federal Circuit has said (Cybersource)

Patentable:

Mental processes that only incidentally mention a computer

What the Federal Circuit has said (Ultramercial)

Patentable:

Only inventions that are “so manifestly abstract as to override the statutory language”

What the Federal Circuit has said (CLS)

Patentable:

Only that which is “nothing more than a fundamental truth or disembodied concept, with no limitations on the claim”

Abolish software patents?

1. 35 USC 101



But the courts aren't the only game in town



But the courts aren't the only game in town



But the courts aren't the only game in town



Under similar conditions in history, these agencies effected change,



A Short Pause for a Historical Break

2012 Smartphone Wars v. 1878 Agrarian Wars



"250,000 Patents"

6,211 Patents

Comments in the 1878 Congress

"[P]atent-sharks [] procure an assignment of [a] [] useless patent, and [] proceed to [] black-mail [] [] any man who has ever manufactured or sold, or even used, the [] invention; [] innocent users, choose to compromise rather than run the risk of ruin [] millions are thus filched and extorted from the people every year."

- Senator Christiancy, 8 Cong. Rec. 307-308 (1878).

Now

The Federal Circuit affirmed an award of attorney's fees in a case that displayed "indicia of extortion" where a non-practicing entity filed a large number of cases in order to "exploit[] the high cost to defend complex litigation to extract a **nuisance value settlement.**"

Eon-Net v. Flagster (Fed Cir 2011)

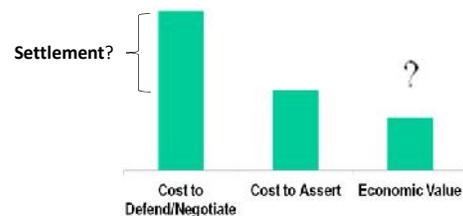
Then

Attorneys reportedly prepared for more than 4,000 cases in Iowa on behalf of a single patentee with the likely result that "unwary and unsuspecting farmers" would pay the **nuisance fee** rather than "be dragged one hundred fifty miles away from their homes, at great inconvenience and expense."

- Hayter, (Senate Miscellaneous Documents, No. 50, 45 Cong., 2 Sess.(1873)).

Nuisance fee economics

Figure 2: Patent Nuisance Fee Economics



Assertion Makes Sense Because the Cost To Defend or Negotiate, and therefore the Likely Settlement Fees, Exceed the Cost To Assert

How did that one end?

“the agrarian patent crisis started when functional design patents were created by the PTO and Congress around 1869. It took about 30 years for this patent crisis to develop and resolve, through a combination of PTO and legislative acts that **abolished** a class of design patents”

- Colleen Chien, *Reforming Software Patents*, citing Gerard Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*

Back to Our Regular Programming...

But can we really regulate software patents?

2. TRIPS

What TRIPS Requires

Article 27

“Patents shall be available for any inventions [] in all fields of technology”

TRIPS Flexibilities

Article 33

“The term of protection available shall not end before the expiration of a period of **twenty years counted from the filing date**”

Reality Check: Others Regulate Patents by Type

European Patent Convention Article 52(2)(c)

“The following in particular shall not be regarded as inventions within the meaning of paragraph 1: [] **computer programs**”

Reality Check: We Regulate Patents by Type

Section 14 of the AIA

"[A]ny strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art."

Reality Check: We Regulate Patent By Type

35 USC 273 (2000) Prior User Rights for Business Methods:

It shall be a defense to an action for infringement ...

Reality Check: We Regulate Patents By Type (SPER at the PTO)



Reality Check: We Regulate Patents by Type

271(c) no contributory infringement if:

the invention is a staple article or commodity of commerce suitable for substantial noninfringing use.

We Regulate Patents by User

271(c)(1) Surgical Exception

the provisions of sections 281, 283, 284, and 285 of this title shall not apply against the medical practitioner or against a related health care entity with respect to such medical activity.

We Regulate Patents All the Time

What about now? What have Congress/PTO done lately?

3. Even if we wanted to do this – how could we do it? what’s a software patent?

What’s a covered business method patent?

AIA Section 34(d)(1)



“Covered Business Method Patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

What’s a covered business method patent?

“The Office received 251 submissions offering written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA.”



What’s a software patent? (SHIELD Act)

“(3) SOFTWARE PATENT.—The term ‘software patent’ means a patent that covers—

“(A) any process that could be implemented in a computer regardless of whether a computer is specifically mentioned in the patent; or

“(B) any computer system that is programmed to perform a process described in [(A)].”



What’s a hardware patent? (SHIELD Act)

“(2) COMPUTER HARDWARE PATENT.—The term ‘computer hardware patent’ means a patent that covers computer hardware, including a device or component of such device.



What’s a software patent? Do we need a precise definition?



Under the APA, judicial review of an agency decision is typically limited to the administrative record. 5 U. S. C. § 706

- Hyatt v. Kappos, SCOTUS 2011

What's a software patent? Do we need a precise definition?



SHIELD Act

In an action disputing [] a computer hardware or software patent, upon making a determination that [] the patentee did not have a reasonable likelihood of succeeding, the court **may** award the recovery of full costs to the prevailing party

What's a software patent? Do we need a precise definition?



Section 285

“[t]he court in exceptional cases may award attorney fees to the prevailing party.”

~50 uses per year

A Revised Solution?



Thank You!

References:

Colleen Chien, *Reforming Software Patents*, 2012 Houston Law Review (available on SSRN)