

Intellectual Property Client Alert:

Is software (still) patentable?

By Paul B. Heynssens

Patents cost a lot of money to obtain, and if you are lucky enough to get one or more of these gems issued you have to pay maintenance fees to keep them in force. Not to mention that it can cost a boat load of money to enforce them. So if you have one or more patents in place, you have protected a valuable asset-your IP-right? The short answer is, not as much anymore, and maybe less so in the future. We will also provide some advice on possible ways to protect your valuable inventions in the face of an ecosystem where the value of patents seems to be in decline, you may find value in examining alternative ways of protecting their IP, as well as strategies for dealing with the current prosecution landscape at the PTO.

The strength of patents, and their associated value as a businesses' asset has been under attack with a number of recent legal trends, and the attacks are continuing. For example, the ability to get a claim allowed has been limited by *KSR Int'l Co. v. Teleflex, Inc.* where it has been made easier to declare claims obvious in examination preventing the patent from issuing, and after issuance the scope of a patents claims have been limited by the *Festo* case. And now with *Alice Corp. v. CLS Bank International* the patentability of software is in question. And in addition the validity of issued software patents is questionable as at this time at least two issued software patents have been invalidated (*Amdocs v Openet Eastern dist. VA* (software that ISPs use to track a customer's network usage and generate bills, Patent No's 7,631,065; 7,412,510; 6,947,984), and *buySAFE Inc. v. Google Inc.*, case number 2013-1575 (patent on a method of providing secure online sales transaction, U.S. Patent Number 7,644,019).

Patenting software in the EU and Japan has always been problematic. However, in the US until recently it has been pretty much settled law that software is patentable. There has been a trend of case law supporting this for over three decades, since the Supreme Court case of *Diamond v. Diehr* 450 in 1981.

In Diehr a computer controlled process for making synthetic rubber was found patentable. The patentability of software has even been extended to the so called 'business method' patents, where the disclosure of such patents often have scant mention of computer hardware to implement the claims. The recent supreme court decision in Alice Corp. v. CLS Bank International (cite), concerning financial trading "business method" patents has ramifications that reach into the patentability of software, and even make the validity of Diehr questionable.

In Alice Corp., the Supreme Court outlined a two step process for determining eligibility: 1) determine if the claim encompasses excluded subject matter and then 2) determine if the claim includes "something more" sufficient to "transform the excluded subject matter into a patent-eligible application." What is that something more?

In an effort provide clarity to examiners, on June 25, 2014 the USPTO issued examination guidelines to the core of patent examiners (Preliminary Examination Instructions in view of the Supreme Court Decision in Alice Corporation Pty. Ltd. V. CLS Bank International, et al.). In employing these guidelines patent examiners are apparently rejecting business method, but also software claims right and left. For example in discussing a claims rejection with an examiner in Art Unit 3626 I was told at the end of September that no patents had issued in that unit since the guidelines were issued in late June. In the near future the USPTO may want to consider closing those remote offices it recently opened, if it is going to stop issuing software related patents.

So far I have encountered two forms of rejection issued under Alice's guidelines. The most straight forward rejection is to apply the guidelines and then make the pronouncement that the claims are ineligible subject matter (a section 101 rejection) for a patent application (certain things are not eligible for patenting like $E=mc^2$. or gold). Up to this date this kind of a rejection was rare, as very few patent attorney's or applicants have been fool enough to seek to patent gold, or $E=mc^2$.

The other rejection that I saw was a little more insidious. The claims were well along in prosecution and the Examiner applied a couple of newspaper articles that talked about just in general how to do something in an obviousness 103 rejection. In defending the rejection he said not to bother tying the claims more closely to the hardware, and defended the use of the articles because the software invention being run on a networked computer system was no more than an abstract idea ran on conventional hardware, so the application of an article that generally disclosed an abstract idea was fair (in his opinion). Perhaps he felt embarrassed (rightfully so) about declaring a 101 rejection in the middle of prosecution, and opted for a less embarrassing course of action. This type of rejection should chill the blood of anyone who has developed software, and sought to patent it. Your software is now nothing more than an un-patentable abstract idea being run on conventional hardware. Do you give up? Argue with the examiner? Or try something else to protect your self?

Impact on software patents-How to react

Responding to these rejections will be a challenge. As at this point in time it is unknown as to what might work. Patent practitioners will attempt arguments that will have to contradict the examiner's conclusion that the invention is non statutory subject matter. Previously a 101 rejection would be hard to refute as the delineation on what was patentable was clean cut. Alice, and the exam guidelines has muddied this up, so at this time the best approach is to attack the examiner's reasoning head on. Other possibilities have been put forward, such as further adding hardware, and that amending the claims language to recite software terms found in previous case law that has been interpreted as structure to overcome a rejection based on Alice. Personally I think this will be about as effective as dissuading Vladimir Putin from aggression in the Ukraine by sanctioning a few of his cronies. This whole exercise will surely generate a number of appeals in the PTO, and until additional clarification and strategies emerge, no one wants to be a test case.

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Until, clarity is achieved a shift of prosecution to hardware may be advisable. If there is any possibility of incorporating a unique hardware element (not a standard component that simply runs the software invention) it may be advisable to file claims that are directed to hardware to get your invention out of a software examining group. Fully disclose the software invention in the application, just claim a hardware aspect. Since the US is now a first to file country, it is advisable to establish an early filing date for your software invention, and get an application in line for examination. This gets you out of the mess that is currently playing out in the software examination groups, and allows you to, at a later time, draft software claims and file a continuing application. Taking a detour allows you to keep your filing date and possibly pursue the software invention after the examination process is sorted out through experience and the appeals process that has been endured by others-not you!).

Please feel free to contact Paul B. Heynssens Attorney at Law, PLC to discuss the impact these changes may have on your existing or future patent license agreements or patent rights in general.



Paul B. Heynssens is the Managing Member and registered patent attorney with a substantial background in electrical engineering. He counsels clients in a variety of intellectual property and technology matters including patent prosecution and portfolio management, preparation of patent validity and infringement opinions, and preparation of licensing agreements, non-disclosure agreements and other intellectual property agreements. Mr. Heynssens has prepared and prosecuted many patent applications in the area of electronics, software, semiconductors, lasers and computers, among others.

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