Inside Counsel

The future of software patents, part 1

Supreme Court to help shape the software industry

BY RICH STEEVES
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The software industry is at a crossroads. The issue of whether or not software can be patented has reached the Supreme Court, and the Court's decision will have wide-ranging ramifications across the technology sector.

What makes this issue so important? How are technology patents different from other types of patents? And what does the future hold?

I asked these questions and more to Greg Winsky, of counsel at Archer & Greiner. Winsky has a great deal of experience in this area, having been general counsel for the Franklin Computer Corporation in the 1980s. It was involved in one of the first IP cases with Apple, showing that operating system programs can be copyrighted. There were patents involved in the case as well, patents that were tied to hardware such as monitors.

Winsky said that the first issue is that there has been no clear guidance on how to determine whether or not a software-based invention meets the test of Section 101 of the Patent Act, whether an invention is actually patentable. The Federal Circuit has been divided on this, and now the Supreme Court can offer clarity as to how the determination should be made.

The Supreme Court, of course, does not generally take a lot of patent cases. It has made some recent rulings, including the *Bilski* case, which addressed business methods, and the *Prometheus* case, which dealt with subject matter patentability. In the current case, *Alice Corporation Pty. Ltd. v. CLS Bank International,* there are three patents in question, two of which are process or method patents and the third of which is a system patent.

In the second part of this series, we'll discuss a bit more about how software patents are different from other types, the role of copyright, and what impact this ruling could have on large companies.

The future of software patents, part 2

Part two in a series discussing the Supreme Court's upcoming decision and its ramifications on the software industry

BY RICH STEEVES
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In part one of this series, Greg Winsky, of counsel at Archer & Greiner, discussed with us the upcoming Supreme Court case *Alice Corporation Pty. Ltd. v. CLS Bank International* and how that case will address an issue that has long been ignored by the highest court in the land: software patents. In part two, we'll look at how software patents differ from other types, and what impact the ruling could have on the industry.

One of the biggest issues with software patents, says Winsky, is that there has been a general pronouncement against abstract ideas becoming patentable, like natural phenomena. The patents in the Alice case are quite simple. For example, one covers a process of exchanging financial obligation between parties and involves just four simple steps. It is something that banks do all the time, but throw in a microprocessor, and the patent office views things differently.

Another issue that Winsky sees is that, in the case of software patents, the party that becomes the defendant often does not fully understand matters. He used an analogy: If you go buy real estate, you can go to records and see the boundaries and the history of ownership. Patents are like that, as claims denote what is protected, but when the bounds are fuzzy, like in the *Alice* example, it becomes problematic for people to know how to navigate a particular piece of turf, which is one of the reasons that some say that software patents are not economically good for society, citing limited transparency as a major issue.

Winsky pointed out that software is protected by copyright law. In order to violate a copyright, one needs access to materials. If you reverse engineer a software system to find the source code and create something similar, that is a violation. It's far more cut and dried than issues related to patents.

As for the future, Winsky does not foresee the Supreme Court eliminating software patents. But he notes that some large tech companies like IBM want software patents to continue to be as enforceable as possible, while others like Google are not happy with the system the way it is and want less enforceability. No matter what happens, lobbying will heat up.

As for what is happening right now, Winsky has some issues with the current Goodlatte bill and action in the Senate. As he points out, the America Invents Act just revamped the patent system in 2011, and some of the changes from that law just came into effect this year. People are trying to figure it all out, and there appears to be more change coming. As Winsky points out, the U.S. patent system has remained largely unchanged for a century, and America has led the world with that patent system. It may be a case of "if it ain't broke, don't try to fix it."