PATENTING SOFTWARE UPDATE

«A lot has changed since 1998…»

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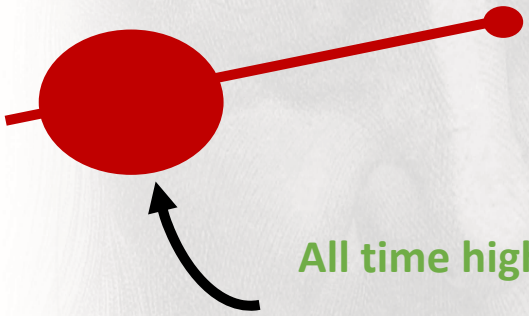
The Pendulum at *State Street**:



*… per US Fed. Cir., in 1998, anything «under the sun» could be patented in the US…if it produced a «useful, concrete and tangible result».

In Europe, anything with a relevant (inventive) technical effect.

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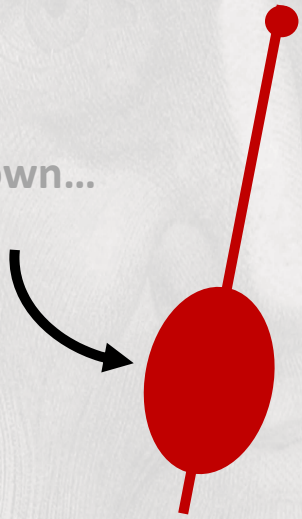
The Pendulum at *Bilsky*

Back down…



Bilsky (US Supreme Court, 2010) & US Patent Reform (AIA) – Business Methods in particular under attack. Fed Cir. (2013, *CLS v.*) *Alice* Decision

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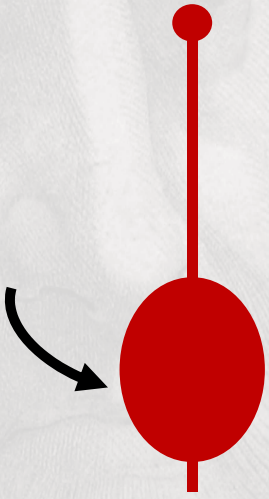
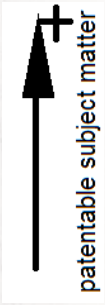
The Pendulum at *Alice*…

All time low!





US Supreme Court's *Alice* Decision and EPO filtering analysis

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Post-*Alice* US Abstract Idea Analysis used by the USPTO (similar to the UK's Analysis) :

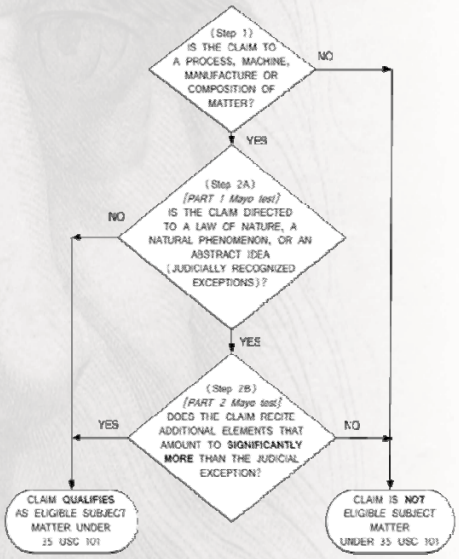
Evaluating Subject Matter Eligibility

US Patent Examiners are to:

1. Review the disclosure to identify what applicant considers as the invention. Thereby, determine if the claim falls into a **statutory category**.

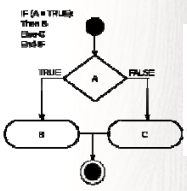
2A. **Identify the judicial exception** recited in the claim (if any).

2B. Determine if the claim as a whole recites significantly more than the judicial exception itself.



Step 1: Does the claimed invention fall within a statutory category of invention ?

Process ***Machine*** ***Manufacture*** ***Composition of Matter***

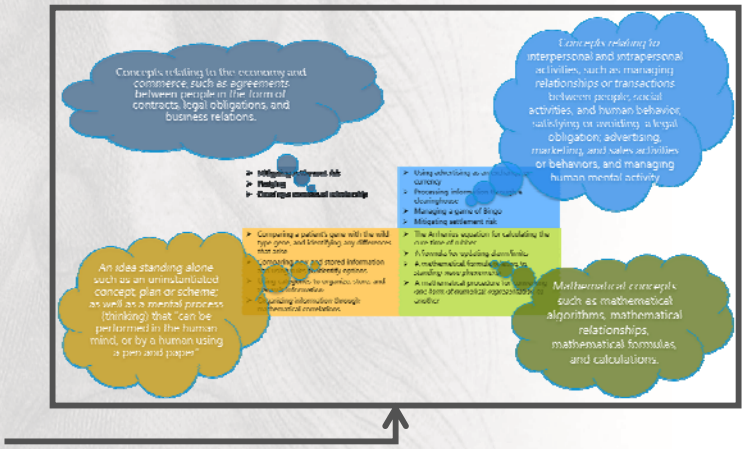


Step 2A: Is the claim directed to an abstract idea?

"Directed to" at the time of *Alice* appeared to mean that the claim recites (sets forth or describes) an abstract idea (any part of claim).

An abstract idea can be identified by comparison to similar concepts found abstract by the courts.

The courts identify what is considered an abstract idea (the pendulum has since been swinging back recently such that what might have been considered abstract at this stage is not considered abstract).



Step 2B: Does the claim as a whole amount to significantly more than the abstract idea?

- ***Evaluate the significance of the additional elements. Consider all the additional elements individually and in combination.***

- ***Are there elements in the disclosure that <u>could be added</u> to the claim that may provide an inventive concept and make it <u>eligible</u>?***

Despite this strict analysis, the following claim was considered patentable in the US:

Claim 1 (amended)

A method of distributing stock quotes over a network to a remote subscriber computer, the method comprising:

providing a stock viewer application to a subscriber for installation on the remote subscriber computer;

receiving stock quotes at a transmission server sent from a data source over the Internet, the transmission server comprising a microprocessor and a memory that stores the remote subscriber's preferences for information format, destination address, specified stock price values, and transmission schedule, wherein the microprocessor

filters the received stock quotes by comparing the received stock quotes to the specified stock price values;

generates a stock quote alert from the filtered stock quotes that contains a stock name, stock price and a universal resource locator (URL), which specifies the location of the data source;

formats the stock quote alert into data blocks according to said information format; and

transmits the formatted stock quote alert over a wireless communication channel to a wireless device associated with a subscriber ~~to a computer of the remote subscriber~~ based upon the destination address and transmission schedule,

wherein the alert activates the stock viewer application to cause the stock quote alert to display on the remote subscriber computer and to enable connection via the URL to the data source over the Internet when the wireless device is locally connected to the remote subscriber computer and the remote subscriber computer comes online.

What may be patentable in Europe:

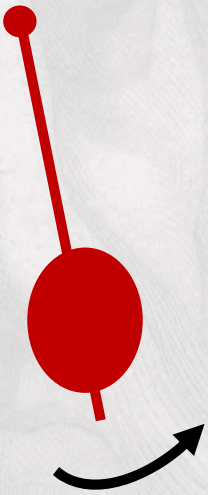
A "further technical effect" is required which goes beyond the "normal" physical interactions between the computer program and the computer hardware on which it is run.

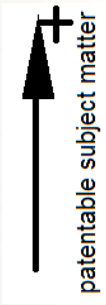
- A method of encoding audio information in a communication system aiming to reduce distortion induced by channel noise.
- Specific technical applications of computer-implemented simulation methods, even if involving mathematical formulae, are to be regarded as "inventions" in the sense of Article 52(1) EPC.
- "schemes, rules and methods for (...) doing business" are not patentable in Europe; but a new method which solves a technical, rather than a purely administrative, problem may indeed be patentable.
- control of an industrial process or the working of a piece of machinery, but also of the internal functioning of the computer itself (e.g. memory organisation, program execution control) under the influence of the computer program.
- a method of encrypting/decrypting or signing electronic communications may be regarded as a technical method, even if it is essentially based on a mathematical method.

Fortunately, the Pedulum is swinging back up:

US Federal Circuit interprets *Alice* more broadly in:

1. *DDR Holdings v. Hotels.Com (Fed. Cir. 2014)* – for solving a problem of luring visitors to a first website away to another website).
2. *Bascom v. AT&T* (Fed. Cir. 2016)– for a website filter preventing access by individuals at the ISP level.
3. *Enfish v. Microsoft* (Fed. Cir. 2016) – for a self-referencing database table.

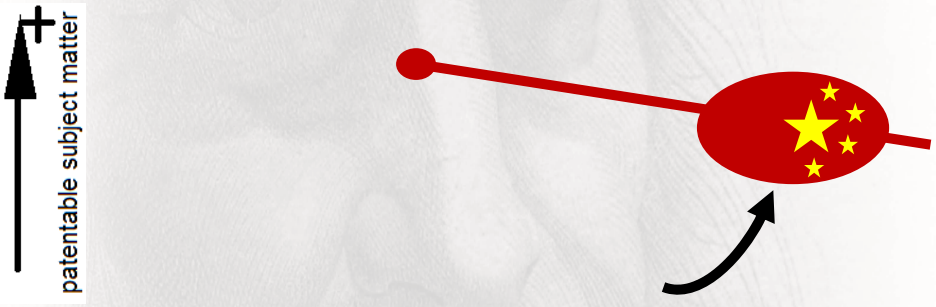




New interpretation of Alice's 2-Step

- In *Enfish*, the Federal Circuit applied the Alice two-step differently and more liberally, such that they rejected a step 2A analysis that finds anything involving software abstract. Instead, they asked whether claims directed to a logical model for a self-referential database falls within the judicial exception (step 2A) and concluded that it does NOT. Consequently, it was statutory subject matter and the step 2B analysis need not be applied. This despite Microsoft's arguments against this finding.

The future in China, if the 4th amendment is confirmed:



Statutory protection for business methods proposed in proposed 4th Amendment to the Chinese Patent Law. Submitted to National People's Congress and acceptance is not certain….

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Observations:

- As you can see, the Pendulum has swung significantly over the last 15 years.
- Patent applications can remain pending for 10 to 15 years.
- Nature of patent applications requires timely action. If you don't file your application before you or someone else publishes or otherwise makes information about the invention publicly available, IT'S SIMPLY TOO LATE TO RESERVE YOUR PATENT RIGHTS* EXCEPT US ONE YEAR GRACE PERIOD
- Most investors require at least pending patent application before they can realistically seek investment

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Conclusions:

Despite the uncertainty, if you don't file, you won't get a patent even if later the law changes to clearly permit patents in your field..

- So, file your software applications if a monopoly for the software may have significant strategic value to your company.
- File your software application if you're seeking to raise capital.
- File your software application to reserve your rights and create future legal risk for competition.
- File your business method application and see how statutory protection for these methods develops in China, the US and even in Europe. The pendulum may continue to swing back up!

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Questions and Comments?

Let us know. We'd be pleased to help. Our firm specializes in preparing and filing US and European patent applications as well as post grant proceedings and litigation management, in the fields of software, medical devices, electro-mechanical devices, encryption, manufacturing processes, plastics, pharma and chemistry.

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