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## Patents: Beyond the Basics – Current Risks and Opportunities

### Part Three



The world of patents is constantly changing. Recent developments could have a major effect on your business. It's important to stay one step ahead to avoid surprises.

That's why we enlisted the help of attorneys at McCormick, Paulding & Huber. They've prepared a four-part Q&A series that will answer questions relating to patent trolls litigation, the new environment since Leahy-Smith America Invests Act (AIA) and more.

This is part three in the series.

[Please note that this patent Q&A series is for general informational purposes only and does not represent legal advice by the authors or McCormick, Paulding & Huber LLP.]

### **Q: What is the current state of software/business methods patents?**

**A:** The short answer is: some remain worth pursuing.

Within the past two years, the United States Supreme Court as well as the lower Federal Circuit Court of Appeals have repeatedly challenged the validity and value of "abstract idea" patents. Cases such as *Alice*, *Bilski* and *Comiskey* have provided an ABC of rulings that significantly constrain the potential scope and enforceability of patents for software, and seem to repudiate the very concept of "business method" patents. For example, in both *Alice Corp. v. CLS Bank* and *Bilski v. Dudas*, the Supreme Court refused patentability of inventions that were directed to (new) computer implementations of business methods such as multiple-ledger accounting or risk hedging. Nonetheless, innovators who develop software that is tangibly "technological" can still rely upon the patent system to protect their inventive products or services, whether under a startup or an established business.

Because there has been a lot of confusion about what is or is not "patentable subject matter," the United States Patent and Trademark Office (USPTO) recently

updated its guidance on this topic. The new guidelines provide concrete examples of subject matter that the USPTO believes would be patentable, as well as analysis of issued patents that the Federal courts have ruled to be unpatentable.

A key point in the most recent guidance is that a claim to software or to a business method must include something “significantly more” than the abstract idea of what the software or business method is meant to accomplish.

For example, the USPTO approves of a patent claim that recites a series of acts or steps for protecting a computer from an electronic communication containing malicious code. The series of steps makes the patent a “process” patent, which is one of four statutory categories of patentable subject matter. Moreover, the steps include distinctly tangible actions such as “receiving an electronic communication,” “storing the communication in [a] quarantine sector of the memory of [a] computer,” and “extracting, via file parsing, the malicious code from the electronic communication to create a sanitized electronic communication.” These tangible actions make the claim *not* an abstract idea, and therefore, patentable.

On the other hand, the USPTO disapproves of a patent claim for an invention that describes properties of a device in a digital image reproduction system for capturing, transforming or rendering an image. Although the claim recites a series of steps, the steps of “generating first data,” “generating second data,” and “combining said first and second data” are very generic, and none of the steps are implemented in any sort of a tangible physical object. Thus, this claim is “similar to the basic concept of manipulating information using mathematical relationships,” which is a very abstract idea. It is not a patentable claim.

Another claim that the USPTO believes to be unpatentable relates to a computer system that is configured to assist in managing a game of Bingo. The computer

system is considered a “machine,” which is another of the statutory categories of patentable subject matter. However, the specifically recited components of that machine are all conventional or generic, and are merely configured to “implement the abstract idea” of running a (known) game. “Managing the game of Bingo as recited in the claim can be performed mentally or in a computer and is similar to the kind of ‘organizing human activity’ at issue in *Alice Corp.*,” writes the USPTO. The merely generic computer components do not add “significantly more” to the abstract idea of organizing human activity.

What remains unclear is what would happen to a patent application that claims a truly new and non-obvious mode of organizing human activity, a mode of organizing that only can be implemented via a computer. For example, in 2006 two men filed a patent application for a “method and apparatus of a location-based network service for mutual social notification.” Their method and apparatus would allow users to anonymously subscribe in a community and register in a network location, either by selecting their physical location from a stored catalog of locations or by directing their personal apparatus (cell phone) to spontaneously create an ad hoc network with the apparatus of other users who are within Bluetooth or Wi-Fi range. This method and apparatus eventually became a Tinder-enabled cell phone. But in the meantime, the two inventors had run out of money and let the patent application drop (a topic we will revisit in our next Q&A). Therefore, we are not able to know whether the USPTO today would grant a patent on the Tinder app.

Nonetheless, it seems obvious (in hindsight) that the expense of filing and prosecuting a patent application would have been worthwhile for such an app. Moreover, the non-obvious and technology-essential nature of the claimed method for organizing human activity seems to make the Tinder invention “significantly more” than the mere abstract (and conventional) idea of greeting an attractive person a few seats down the bar.

Special thanks to our Q&A part three contributor from McCormick, Paulding & Huber LLP:

### Alan Harrison



[Alan Harrison](#) is an associate in the Hartford office of the law firm [McCormick, Paulding & Huber LLP](#), which has focused exclusively on intellectual property law for more than 100 years. Before becoming an attorney, he trained as a mechanical and nuclear engineer. He is experienced in patent and trademark prosecution and enforcement, business startups and intellectual property transactions. You can contact Alan at [Harrison@ip-lawyers.com](mailto:Harrison@ip-lawyers.com).