

Intellectual Property Rights in Computer Software and Business Methods: A Skeptical View

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Copyright Protection for Computer Software

- Key Events:
 - Copyright Office registration
 - CONTU Final Report
 - 1980 Amendments to the Copyright Act
 - On to Second Order Issues:
 - Scope of Protection
 - Derivative Works
 - Linking and Framing

Copyright Protection for Business Methods

- Current Law:
 - Section 102(b) prohibits copyright in any “idea, procedure, process, system, [or] method of operation”
- *Baker v. Selden* (U.S. 1880)
 - “The description of an art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself.”
- Innovators turn to the patent system

Patent Protection for Computer Software

- Early Limitations Established on Patenting Mathematics, Mental Steps, Abstract Ideas, Printed Matter and Algorithms
- Contemporary Cases Eliminate These Restrictions
 - *Ex parte Alappat* (Fed. Cir. 1994)– broad acknowledgment of patentability of software inventions
- No doubt today that software inventions are broadly patentable

Patent Protection for Business Methods

- Key Events:
 - Statute of Monopolies (1624)
 - Abolishes Crown-sponsored commercial monopolies
 - Patents allowed for “any manner of new Manufacture”
 - *Ex parte Abraham* (Patent Office Comm’r 1869)
 - No patents on “methods of book-keeping”
 - Giles S. Rich, *Principles of Patentability* (1960)
 - “one of the greatest inventions of our times, the diaper service” not patentable

Patent Protection for Business Methods

- *Paine, Weber v. Merrill Lynch* (D. Del. 1983).
- Patent claims directed to a "Securities Brokerage-Cash Management System."
- "The Court finds that the '442 patent claims statutory subject matter because the claims allegedly teach a method of operation on a computer to effectuate a business activity."

Patent Protection for Business Methods

- *State Street Bank v. Signature Financial Group* (Fed. Cir. 1998)
 - Patent claimed data processing system for managing master feeder funds
 - Claim language tracks tax code and regulations governing single-pass taxation
 - District Court holds invention is not patentable subject matter because it is either math or a method of doing business

Patent Protection for Business Methods

- Federal Circuit Holds:

“ . . . the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces ‘a useful, concrete and tangible result’ – a final share price”

Patent Protection for Business Methods

- Regarding Business Methods:
 - “We take this opportunity to lay this ill-conceived exception to rest.”
 - “Since the 1952 Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.”

Problems with *State Street Bank*

- The claimed invention produces “a useful, concrete and tangible result” – a final share price?
 - The term “final share price” does not appear in the claims.
 - Utility traditionally regarded as a distinct patentability requisite.

Problems with *State Street Bank*

- “After *Diehr* and *Chakrabarty*, the *Freeman-Walter-Abele* test has little, if any, applicability to determining the presence of statutory subject matter.”
 - Time Warp!
 - The Supreme Court Decisions
 - *Diehr*-1981 *Chakrabarty*-1980
 - The CCPA Decisions
 - *Freeman*-1978 *Walter*-1980 *Abele*-1982

Problems with *State Street Bank*

- “After *Diehr* and *Chakrabarty*, the *Freeman-Walter-Abele* test has little, if any, applicability to determining the presence of statutory subject matter.”
 - *Chakrabarty* expressly states:
 - “ . . . a ‘claim for an improved method of calculation, even when tied to a specific end use, is unpatentable subject matter’.”
 - Quoting with approval *Parker v. Flook*.

Transition Problems or Tectonic Shift?

- Business methods are older than the patent system.
- Not a case of the patent system embracing novel technologies such as biotechnology, lasers or polymer chemistry.
- No limits on what is patentable.
- If you can name it, you can claim it.

Transition Problems or Tectonic Shift?

- No evidence suggests market interference is needed without traditional industry.
- On the other hand, our experience suggests that the patent system is susceptible to abuse by the speculator and monopolist.
- With business method patents in place –
 - Incentives to Innovate
 - Word Perfect 9.0 or 1.0
 - Industry Concentration
 - Frequent flier miles