

Software and business methods patents: case law evolution and market strategies.



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introduction

- A new role of IPRs from the beginning of the 80s
- Our study on software industry
- More IP protection
- A new area of protection: business methods
- firms' strategies



Why more IP protection for software ?

- *What is happened in the US ?*
 - Growing importance of software
 - no protection at the beginning (trade secret)
 - discussion on copyright protection (CONTU)
 - 1980: Computer Software Copyright Law

Why more IP protection for software ?

- Many problems with copyright protection:
 - copyright system seems to be non sufficient FOR software protection
 - Examples: Computer Associates International v. Altai (1992) ; Sega v. Accolade (1992) ; Lotus v. Borland (1995)

Why more IP protection for software

- Effects: growing demand for patent protection
 - patent could protect all functions of software whereas copyright only protects expression of ideas (languages)
- A set of case law which contribute to include software in patent protection



Why more IP protection for software ?

- The turning point in 1980: *Diamond v. Diehr*
- 1998: *State Street v. Signature* permits business methods patent protection

What is a business method ?

- *“(1) a method of – (A) administering, managing or otherwise operating an enterprise or organisation, including a technique used in doing or conducting business; or (B) processing financial data; (2) any technique used in athletics, instruction, or personal skills; and (3) any computer-assisted implementation of a method described in paragraph (1) or a technique described in paragraph (2)».*



What is a business method ?

- Examples: management or financial data processing methods, computing techniques and educational, organisational, e-business, consulting, marketing or financial methods. In the field of e-business, patents have been granted for systems of e-finance, on-line bookselling and auctions

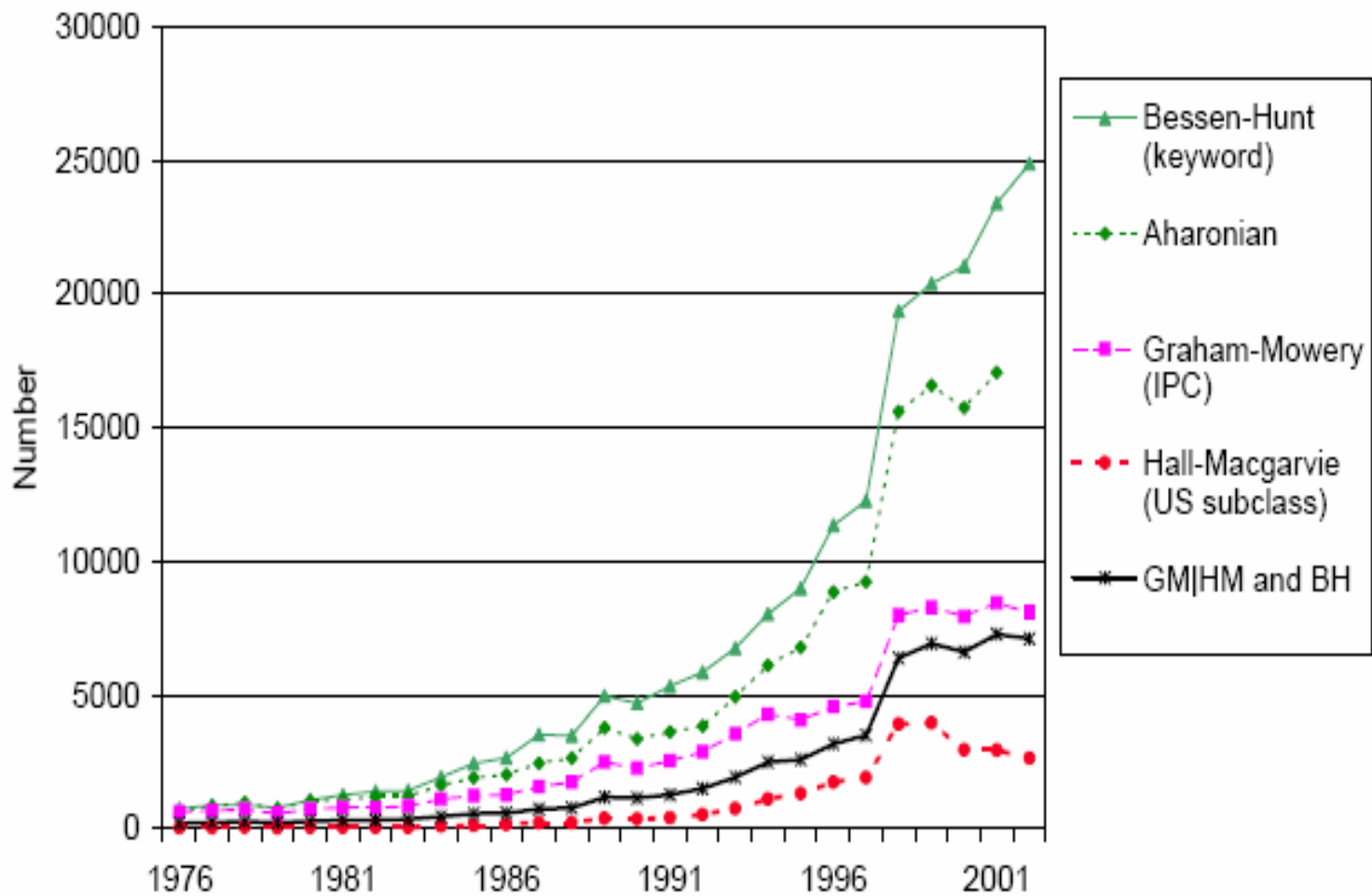


What is a business method ?

■ Examples:

– Amazon.com

- method and system for placing a purchase order via a communications network” (patent US n° 5.960.411)
- methods and systems of assisting users in purchasing item n° 6.865.546



rang	1999		2000		2001	
	1	IBM	39	IBM	76	IBM
2	FUJITSU LTD	32	PITNEY BOWES	42	NIPPON ELECTRIC CO	42
3	PITNEY BOWES	26	NCR CORP	24	WALKER DIGITAL	28
4	NCR CORP	24	FUJITSU LTD	22	PITNEY BOWES	24
5	HITACHI	22	HITACHI	21	FUJITSU LTD	20
6	ELECTRONIC DATA SYST	14	AT&T CORP	15	NCR CORP	20
7	MICROSOFT	13	MICROSOFT	15	HITACHI	19
8	AT&T CORP	12	WALKER DIGITAL	12	MATSUSHITA ELECTRIC IND	17
9	WALKER ASSET MANAGEMENT	12	CITIBANK	11	MICROSOFT	17
10	CITIBANK	11	MATSUSHITA ELECTRIC IND	11	SONY CORP	17



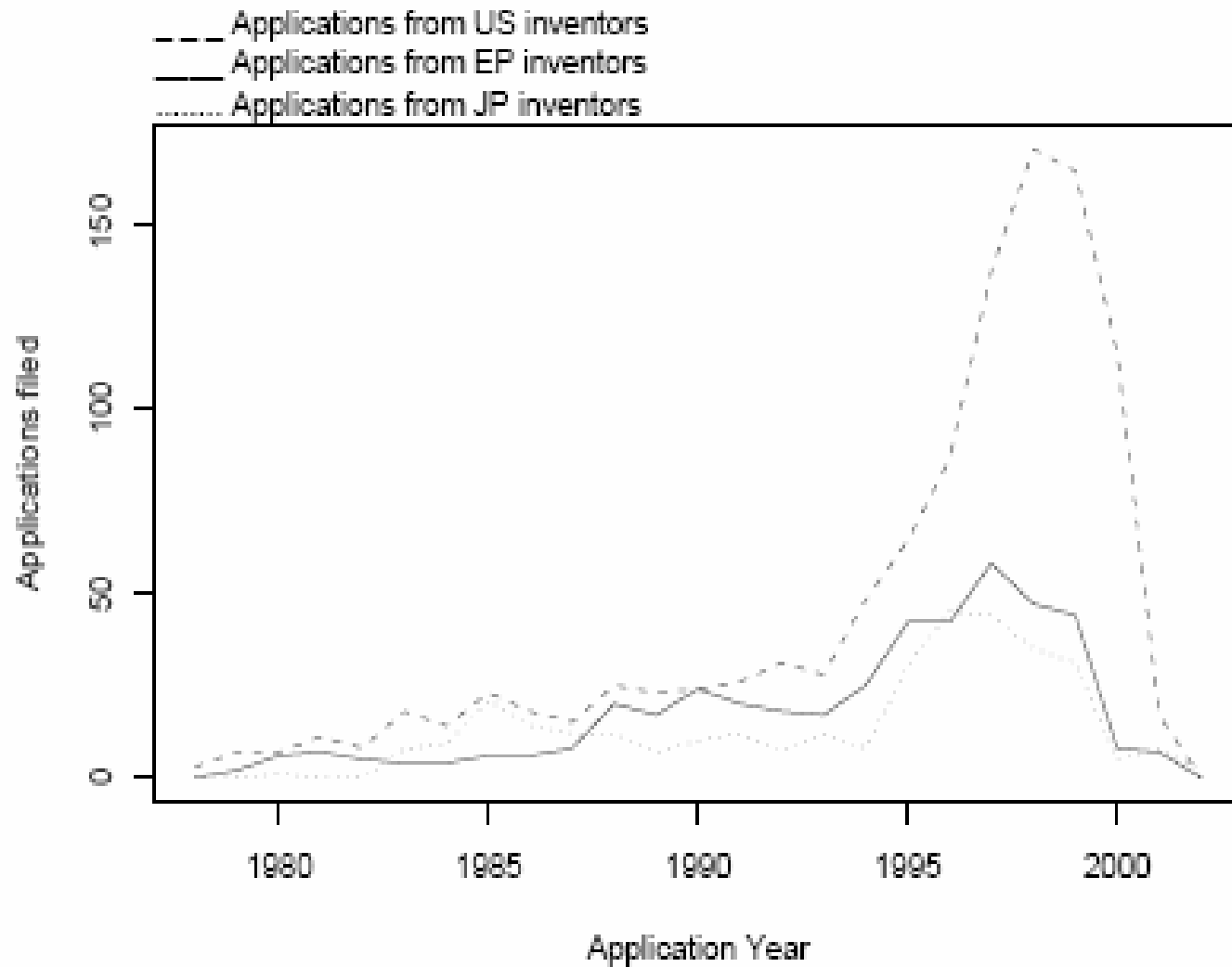
And what about Europe?

- The Software protection by EPO is opposed to the article 52 of the European patent Convention
- Legal business method protection: need to have a technical effect to obtain a patent in Europe (utility in the US)
- Pension benefit System case in 2000 ; decision of Court of Appeal of Paris in 2003



And what about Europe?

- But business methods patents do exist in Europe !!



Patent Applicant	Country	Applications	Patents granted	Oppositions received	Patents revoked
Pitney Bowes	US	192	99	67	26
IBM Corp.	US	99	46	1	0
NCR	US	71	20	2	1
Francotyp-Postalia	DE	46	11	1	0
Neopost Ltd.	UK	45	27	5	2
AT&T	US	39	11	1	1
Fujitsu	JP	37	15	1	1
Hitachi	JP	35	9	1	1
Sony	JP	30	10	0	0
Siemens	DE	24	12	3	2
Matsushita Electr.	JP	23	9	0	0
Toshiba	JP	21	15	4	1
Sharp	JP	20	12	0	0
Sun Microsystems	US	16	5	0	0
Total		778	345	91	37



Economic effects

- Software patent and BM patent for what?
 - influence competition and innovation
 - create an equilibrium of terror through legal proceedings
 - elaborate licensing strategies



Firm's strategy: example of the franking machine industry

- The most important player: Pitney Bowes (US) (67% market share)
- very intense patent activities dating back to the early 80s
- especially for BM patents
- access to competitors' technology portfolios due to widespread cross-licensing agreements



Firm's strategy: example

- 1997: receives 400 Mil \$ from patent infringement suit with HP resulting in widespread cross-licensing agreement
- 2001: settlement on BM patent infringement with major competitors for internet franking services resulting in licensing agreement giving Pitney Bowes access to its competitors technology



Concluding remarks

- More protection for software and business methods...
- ... but problem of quality (in the US)
- Question: consequence or not of legal difference of BM protection in Europe and US on firms' competitiveness?