

## Software Patents and the Return of Functional Claiming<sup>1</sup>

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Commentators have observed for years that patents do less good and cause more harm in the software industry than in other industries such as pharmaceuticals.<sup>3</sup> Software patents create “thickets” of overlapping inventions, and are asserted in droves by patent “trolls” against innovative companies. Some have argued that software isn’t the sort of thing that should qualify as an invention at all.<sup>4</sup> Others have pointed to the laxity of the Patent and Trademark Office (PTO), which they say has allowed too many patents on obvious software inventions.<sup>5</sup> Still others say that the problem is the absence of clear boundaries, so that it is impossible to know whether a patent claim covers a particular product without going to court to get a ruling on what the patent means.<sup>6</sup>

While there is some truth to each of these criticisms, the real problem with software patents lies elsewhere. Patent law purports to promote innovation by giving inventors the exclusive right to their inventions. In fact, however, modern patent law pays far less attention to what the patentee actually invented than to the patent “claims” – the legal definition of the scope of the patent drafted by lawyers.<sup>7</sup> And lawyers have a natural tendency to broaden

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<sup>3</sup> See *infra* notes \_\_\_-\_\_\_ and accompanying text.

<sup>4</sup> See *infra* notes \_\_\_-\_\_\_ and accompanying text.

<sup>5</sup> See *infra* notes \_\_\_-\_\_\_ and accompanying text.

<sup>6</sup> See *infra* notes \_\_\_-\_\_\_ and accompanying text.

<sup>7</sup> Giles S. Rich, *The Extent of the Protection and Interpretation of Claims--American Perspectives*, 21 *Int’l Rev. Indus. Prop. & Copyright L.* 497, 499 (1990) (“the name of the game is the claim”).

those claims as much as possible in order to secure the strongest possible rights for their clients. The result, particularly in the software and Internet industries, has been a proliferation of patents with extremely broad claims, purporting to own everything from international electronic commerce to video on demand to emoticons to means of hedging commodity risk.

Patent law has faced this problem before. Seventy-five years ago, in the wake of the law's move away from a focus on what the patentee actually built towards what the lawyers defined as the boundaries of the invention, patent lawyers were increasingly writing patent claims in broad functional terms. Put another way, patentees were claiming to own not a particular machine, or even a particular series of steps for achieving a goal, but the goal itself. The Supreme Court ultimately rejected such broad functional claiming in the 1940s as inconsistent with the purposes of the patent statute. When Congress rewrote the Patent Act in 1952, it adopted a compromise position: patentees could write their claim language in functional terms, but when they did so the patent would *not* cover the goal itself, but only the particular means of implementing that goal described by the patentee and equivalents thereof.<sup>8</sup> These "means-plus-function" claims permitted the patentee to use functional language to describe an element of their invention, but did not permit her to own the function itself however implemented.

Functional claiming is back. While experienced patent lawyers today generally avoid writing their patent claims in means-plus-function format, software patentees have increasingly been claiming to own the function of their program itself, not merely the particular way they achieved that goal. Both because of the nature of computer programming and because of the

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<sup>8</sup> 35 U.S.C. §112(f).

way the means-plus-function claim rules have been interpreted by the Federal Circuit, those patentees have been able to write those broad functional claims without being subject to the limitations of section 112(f). They have regained the ability to claim ownership not of what they built, but of what it does. They claim to own the function itself.

It is broad functional claiming of software inventions that is arguably responsible for most of the well-recognized problems with software patents. Writing software can surely be an inventive act, and not all new programs or programming techniques are obvious to outside observers. So some software inventions surely qualify for patent protection. Even if there are too many software patents, the patent thicket and patent troll problems won't go away if we simply reduce the number of software patents somewhat. And while the lack of clear boundaries is a very real problem, the most important problem a product-making software company faces today is not suits over claims with unclear boundaries but suits over claims that purport to cover any possible way of achieving a goal. The fact that there are lots of patents with broad claims purporting to cover those goals creates a patent thicket. And while the breadth of those claims should (and does) make them easier to invalidate,<sup>9</sup> the legal deck is stacked against companies who seek to invalidate overbroad patent claims.

This is a problem that is unique to software. We wouldn't permit in any other area of technology the sorts of claims that appear in thousands of different software patents.

Pharmaceutical inventors don't claim "an arrangement of atoms that cures cancer," asserting

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<sup>9</sup> John Allison et al. show that the most-asserted software patents – those litigated in eight or more cases – lose in court roughly 90% of the time. See John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 **Geo. L.J.** 677 (2011). Because the authors focused on the most-litigated patents, however, and because virtually all the most-litigated software patents were enforced by patent trolls, they cannot reject the possibility that the low success rate was due to characteristics of the plaintiff rather than the fact that the patent was a software patent. *Id.* at \_\_\_.

their patent against any chemical, whatever its form, that achieves that purpose. Indeed, the whole idea seems ludicrous. Pharmaceutical patent owners invent a drug, and it is the drug that they are entitled to patent. But in software, as we will see, claims of just that form are everywhere.

While there are some arguments in favor of broad functional claims in software, they are insufficient to justify the costs they impose. As it did seventy-five years ago, the law should rein in efforts to claim to own a goal itself rather than a particular means of achieving that goal. Doing so should not require legislative action; it is enough to interpret existing section 112(f) in light of the realities of software and modern patent practice. And so, with one fell swoop – without changing the patent statute and without invalidating existing patents – we may be able to solve most of the software patent problem.

In Part I, I discuss the history of functional claiming and how it was cabined. In Part II, I describe the explosion of functional claims in software and how they have managed to skirt the limits imposed on functional claiming. In Part III, I argue that functional claiming in software is responsible for many of the ills that beset the software patent system. Finally, in Part IV, I argue that the problem could be solved simply by applying the rules of means-plus-function claims to software. While doing so would narrow the scope of software patents, unfairly in a few cases, on balance the social benefits would be substantial. Indeed, ending functional claiming may be the only way out of the software patent morass in which we now find ourselves.

## I. The History of Functional Claiming

Traditionally, a patent was not defined by its claims, but by what the patentee actually built. An inventor would describe her invention so that others could use it. If that invention had never been made before, she was entitled to patent it. Even in the early Nineteenth century, when patentees voluntarily began writing “claims” that defined what they did and didn’t view as their invention, the claims were directed to what the patentee had actually built. In patent parlance, the patent system in the first half of the Nineteenth century involved central, not peripheral claiming. Put another way, early patent claims served as sign posts, not as fence posts.<sup>10</sup>

Under a central claiming system, if the defendant made the very same machine as the patentee, he was clearly an infringer. But what if the defendant’s machine differed somewhat from the plaintiff’s? In that case the courts had to decide whether the defendant’s product was sufficiently similar to the patentee’s that it should be held to infringe. Put another way, under central claiming nearly every patent lawsuit looked like what we would today call the doctrine of equivalents – a judgment call made by the courts as to how different two devices were. Courts developed standards for cabining those questions. They decreed that “pioneering inventions” were entitled to broader protection than mere improvements, for instance.<sup>11</sup> And

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<sup>10</sup> For a discussion of this history, see Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction*, 157 *U. Pa. L. Rev.* 1743 (2009). On the early history of claiming, see, e.g., Michael Risch, *America’s First Patents*, 64 *Fla. L. Rev.* \_\_\_ (forthcoming 2012), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2017275](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2017275).

<sup>11</sup> For discussion of the pioneer patents doctrine, see, e.g., *Miller v. Eagle Mfg. Co.*, 151 U.S. 186, 207 (1894) (“If the invention is broad or primary in its character, the range of equivalents will be correspondingly broad, under the liberal construction which the courts give to such inventions.”);

they inquired into the interchangeability of the parts of the plaintiff's and defendant's inventions.<sup>12</sup> But at base the infringement inquiry in a central claiming system was a gestalt, case-by-case judgment call.

Beginning in the middle of the Nineteenth century, inventors sought greater clarity in the boundaries of their invention by attempting to define their invention at a higher level of abstraction. Rather than claiming the device they actually built or described, inventors sought to identify the inventive contribution and to claim any device that incorporated that inventive contribution, even if it was not identical to the patentee's device. These patentees were using claim language not to signpost what they had done, but to try to define a conceptual area around which they could place legal fence posts. An inventor of a new chemical might, for instance, claim a group of related chemicals in order to avoid having to fight in court about whether the defendant's slightly-modified chemical infringed on the patentee's. Or the inventor of Velcro might claim, not the particular application they first put Velcro to, but the

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Perkin-Elmer Corp. v. Westinghouse Elec. Corp., 822 F.2d 1528, 1532 (Fed. Cir. 1987) ("A pioneer invention is entitled to a broad range of equivalents."); John R. Thomas, *The Question Concerning Patent Law and Pioneer Inventions*, 10 **High Tech. L.J.** 35, 37 (1995) ("Courts construe pioneer patent claims . . . to encompass a broader range of so-called 'equivalents' during an infringement determination."); Michael J. Meurer & Craig Allen Nard, *Invention, Refinement, and Patent Claim Scope: A New Perspective on the Doctrine of Equivalents*, 93 **Geo. L.J.** 1947, 2002-05 (2005) (arguing that pioneer inventions are deserving of greater protections because of the inherent difficulty of anticipating how a uniquely new invention might be imitated). *But see* Brian J. Love, *Interring the Pioneer Invention Doctrine*, 90 **N.C. L. Rev.** 379 (2012) (arguing that most "pioneering" inventions are in fact merely improvements). The Court of Customs and Patent Appeals, the predecessor to the Federal Circuit, applied the pioneer patent doctrine, *see* Autogiro Co. v. United States, 384 F.2d 391, 400 (C.C.P.A. 1967), and the Supreme Court continues to talk about patent scope under the doctrine of equivalents as a function of how pioneering the patent is. *See* Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 530 U.S. 17, n.4 (1997).

<sup>12</sup> *See* Hilton Davis Chem. Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 1519 (Fed. Cir. 1995) (en banc), *rev'd* on other grounds, 520 U.S. 17 (1997) ("known interchangeability" of parts is sufficient to show equivalence).

use of hook-and-eye closures as fasteners regardless what is being fastened. Today, peripheral claiming is universal; patentees write claims in an effort to define the outer boundaries of their invention.<sup>13</sup>

Once inventors began trying to define the outer boundaries of their invention, some inventors began to define their contribution in terms of market substitution rather than technical substitution. That is, the inventor of a hybrid gas-electric car engine might want to define their invention as encompassing any hybrid engine, not simply a hybrid engine that works on the same technical principles as the one they designed. So she defined her claims not in technical terms, but in functional ones: “an engine that performs this function.” This was even easier with the rise of process claims, which were not explicitly tied to any particular machine.<sup>14</sup> For the patentee, the desirability of such functional claiming is obvious: a claim that covers any machine that performs the same function as the patentee’s prevents any substitute technologies from competing with the patentee’s; anything that substitutes for the patentee’s invention is by definition within the scope of such a claim.

From a social perspective, however, such broad claims were more worrisome. Patent law isn’t necessarily designed to prevent all market competition. To the contrary, it is designed to promote the development of new technologies, many of which compete (albeit imperfectly)

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<sup>13</sup> One might question whether it is really possible to define the universe of things that encompass the inventive concept ex ante. Jeff Lefstin has argued that the entire inquiry is impossible; by definition patentees writing peripheral claims are trying to encompass (and therefore teach and describe) an infinite category of things, including things that have not yet been developed. Jeffrey A. Lefstin, *The Formal Structure of Patent Law and the Limits of Enablement*, 23 **Berkeley Tech. L.J.** 1141 (2008).

<sup>14</sup> Processes were not clearly patentable until *Expanded Metal v. Bradford*, 214 U.S. 366 (1909). On the rise of process patents, see Risch, *supra* note \_\_\_\_.

with existing patents.<sup>15</sup> A broad functional claim is more likely to be invalid, either because it treads on the prior art or because the patentee hasn't sufficiently enabled the broad functional claim they have written. Indeed, as early as 1840 Justice Story invalidated a functional patent claim.<sup>16</sup> But that didn't prevent patentees from seeking such claims, or the Patent Office from struggling with them.<sup>17</sup> Invalidating a patent is hard; patents are clothed with a strong presumption of validity.<sup>18</sup> And many of those patents were indeed determined to be quite broad.<sup>19</sup>

The Wright Brothers, for instance, invented only a particular improvement to flying machines, albeit a critical one: they came up with a way of warping a wing to control the direction of flight while turning a rear rudder to counterbalance the effect of bending the wing,

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<sup>15</sup> For discussion of how IP rights promote competition from imperfect substitutes, see, e.g., Christopher Yoo, *Copyright and Product Differentiation*, 79 **N.Y.U. L. Rev.** 212, 218–19 (2004); Christopher S. Yoo, *Copyright and Public Good Economics: A Misunderstood Relation*, 155 **U. Pa. L. Rev.** 635 (2006); Michael Abramowicz, *An Industrial Organization Approach to Copyright Law*, 46 **Wm. & Mary L. Rev.** 33 (2004). Michael Abramowicz takes this as an argument for expanding patent rights into new areas such as business methods, see Michael Abramowicz, *The Danger of Underdeveloped Patent Prospects*, 92 **Cornell L. Rev.** 1065 (2007); Michael Abramowicz & John F. Duffy, *Intellectual Property for Market Experimentation*, 83 **N.Y.U. L. Rev.** 337 (2008), but I think he underestimates the breadth of existing patents and therefore the harm they can cause in preventing close substitutes. For an argument that more IP rights confer significant power over price than previously suspected, see Mark A. Lemley & Mark P. McKenna, *Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP*, 100 **Geo. L.J.** \_\_ (forthcoming 2012).

<sup>16</sup> *Wyeth and Tudor v. Stone*, 30 F.Cas. 723 (No. 18,107) (C.C.D. Mass. 1840).

<sup>17</sup> E.C. Reynolds, a patent examiner, wrote in 1915 that “[t]here are few, if any, classes of claims more difficult to deal with than” functional claims. E.C. Reynolds, *Mechanical Processes and Functional Claims*, in 1 **Patent Office Papers** 1 (Charles W. Mortimer ed. 1917).

<sup>18</sup> *Microsoft Corp. v. i4i LP*, 131 S.Ct. 2238 (2011). For an argument that that strong presumption of validity is unwarranted, see Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 **Stan. L. Rev.** 45 (2007).

<sup>19</sup> Among the early cases permitting functional claiming, see *Morley Sewing Mach. Co. v. Lancaster*, 129 U.S. 263 (1889). That view was then ensconced in PTO practice in Commissioner’s decisions such as *Ex parte Pacholder*, 51 O.G. 295; *Ex parte Halfpenny*, 73 O.G. 1135; and *Ex parte Knudsen*, 72 O.G. 589.



maintaining the stability of the plane.<sup>20</sup> The Wrights solved the stability problem by having a single cable warp the wing and turn the rudder at the same time. Their patent, however, was written using functional language, claiming “means for simultaneously moving the lateral portions [of a wing] into different angular relations” and “means whereby said rudder is caused to present to the wind that side thereof . . . having the smaller angle of incidence”.<sup>21</sup> Glenn Curtiss improved the design of the wing by using ailerons, movable portions of the wing that had been developed by a consortium that included Alexander Graham Bell. Ailerons could be moved independently of the rudder by the pilot; the two were not connected, as they were in the Wright’s design. But the Wright Brothers nonetheless successfully asserted the patent against subsequent inventors such as Glenn Curtiss.<sup>22</sup> Judge Learned Hand held that the ailerons under separate control were literally within the scope of the patent:

Literally considered, tiller ropes under the independent control of the operator are equally such a means . . . . [I]t is merely a matter of taste to attach the tiller ropes to the warping rope. The machine would be changed, but the combination would remain, because there would remain the means of causing the rudder to operate . . .<sup>23</sup>

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<sup>20</sup> John Anderson, Jr., **Inventing Flight: The Wright Brothers and Their Predecessors** 101 (Baltimore, MD: John Hopkins UP, 2004)(“With the exception of wing warping for lateral control (uniquely their development), [the Wrights] used existing technology.”); Tom D. Crouch, **A Dream of Wings: Americans and the Airplane, 1875–1905** 3 (NY: Norton, 1989).

<sup>21</sup> U.S. Patent No. 821,393 claim 7.

<sup>22</sup> Wright Co. v. Herring-Curtiss Co., 211 F. 654, 655 (2d Cir. 1914); Wright Co. v. Paulhan, 177 F. 261 (C.C. S.D.N.Y. 1910) (L. Hand, J.) (holding the Wrights’ patent to be pioneering and so entitled to broad scope). Using today’s language, one might treat this as a means-plus-function claim and the aileron as a proposed “equivalent” to the Wrights’ wing-warping invention. But under current law, the aileron could not literally infringe under 35 U.S.C. § 112(f) because it did not exist when the Wrights’ patent issued.

See *infra* note \_\_\_\_.

<sup>23</sup> Paulhan, 177 F. at \_\_\_\_.

A frustrated Curtiss was reported to have said that the Wright brothers believed their patent was so broad that anyone who jumped up and down and flapped their arms infringed it.<sup>24</sup> The Wrights successfully enforced their patent to defeat all alternative aircraft, including many that surpassed the technical achievement of the Wrights.<sup>25</sup> It was not until the government stepped in in 1917 and required the Wrights to license their patents that airplane innovation really took off.<sup>26</sup>

By the 1940s, functional claiming of this sort had become widespread. But the lower courts were increasingly skeptical of such broad claims.<sup>27</sup> The Supreme Court rejected the practice in 1946 in *Halliburton*.<sup>28</sup> In that case the patentee had drafted its claim entirely in functional terms, referring to “means for” performing various functions. The Court held that the patent claim was indefinite because it did not specify how the patent performed the function or limit the invention to the particular means the patentee actually invented. Substituting broad functional language at the very point of novelty, the Court said, did not sufficiently put the world on notice of what the patentee was removing from the world.<sup>29</sup>

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<sup>24</sup> [http://en.wikipedia.org/wiki/The\\_Wright\\_brothers\\_patent\\_war](http://en.wikipedia.org/wiki/The_Wright_brothers_patent_war).

<sup>25</sup> See U.S. Centennial of Flight Commission, *Glenn Curtiss and the Wright Patent Battles*, [http://www.centennialofflight.gov/essay/Wright\\_Bros/Patent\\_Battles/WR12.htm](http://www.centennialofflight.gov/essay/Wright_Bros/Patent_Battles/WR12.htm). For more detailed discussion of this history, see, e.g., Mark A. Lemley, *The Myth of the Sole Inventor*, 110 **Mich. L. Rev.** 709 (2012).

<sup>26</sup> So to speak.

<sup>27</sup> In *In re Gardner*, 32 App. D.C. 249 (D.C. Cir. 1908), the court rejected a claim to “a device for automatically indicating . . . simultaneous pressures and heat characteristics” in a vapor register, concluding that it was a mere claim for a function rather than a description of a particular device.

<sup>28</sup> *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1 (1946). See also *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369-72 (1938) (rejecting claim to lighting filament claimed in functional terms: “comparatively large grains of such size and contour as to prevent substantial sagging and offsetting”).

<sup>29</sup> *Id.* See also *General Elec. Corp. v. Wabash Appliance Co.*, 304 U.S. 364, 371 (1938).

Patent lawyers understood *Halliburton* to end the practice of functional claiming,<sup>30</sup> though some courts – notably including Judge Learned Hand – sought to rehabilitate the practice.<sup>31</sup> Undeterred, the patent lawyers took their case to Congress. Six years later, when Congress passed the Patent Act of 1952, it acted to “modify or render obsolete” the *Halliburton* decision and permit functional claiming subject to some conditions.<sup>32</sup> The new Act overruled *Halliburton* insofar as that decision had prevented functional claiming at the point of novelty. Patentees could once again use functional language such as “means for processing data” even if the data processing means was the novel part of the invention.<sup>33</sup>

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<sup>30</sup> See, e.g., Robert Faber, Landis on the Mechanics of Patent Claim Drafting §34 (1990).

<sup>31</sup> See *Philip A. Hunt Co. v. Mallinckrodt Chem. Works*, 177 F.2d 583, 585 (2d Cir. 1949) (arguing that “there are generally many variants well-known to the art . . . . It is the office of the claims to cover these, and it is usually exceedingly difficult, and sometimes impossible, to do so except in language that is to some degree ‘functional’ . . .”). Judge Hand sought to avoid the reach of *Halliburton* by applying the doctrine of equivalents, an approach that later made it into the 1952 legislative compromise.

<sup>32</sup> The Chairman of Subcommittee No. 3, Hon. Joseph R. Bryson, Representative from South Carolina, discussed the provision of the bill in an address to the Philadelphia Patent Law Association on January 24, 1952, where he stated in pertinent part:

This provision in reality will give statutory sanction to combination claiming as it was understood prior to the *Halliburton* decision. All the elements of a combination now will be able to be claimed in terms of what they do as well as in terms of what they are.

In re Fuetterer, 138 U.S.P.Q. at 222 n. 11 (quoting history).

In addition, one of the authors of the Act of 1952, P. J. Federico, who was also Examiner-in-Chief of the Patent Office, wrote:

The last paragraph of section 112 relating to so-called functional claims is new. It provides that an element of a claim for a combination (and a combination may be not only a combination of mechanical elements, but also a combination of substances in a composition claim, or steps in a process claim) may be expressed as a means or step for performing a specified function, without the recital of structure, materials or acts in support thereof. It is unquestionable that some measure of greater liberality in the use of functional expressions in combination claims is authorized than had been permitted by some court decisions, and that decisions such as that in *Halliburton Oil Well Cementing Co. v. Walker*, 67 S. Ct. 6, 329 U.S. 1, 91 L. Ed. 3 (1946), are modified or rendered obsolete, but the exact limits of the enlargement remain to be determined.

P. J. Federico, *Commentary on the New Patent Act*, reprinted in 75 **J. Pat. Off. Soc’y** 161 (1993).

<sup>33</sup> See *In re Swinehart*, 439 F.2d 210 (C.C.P.A. 1971) (permitting functional language at the point of novelty); *In re Schreiber*, 128 F.3d 1473 (Fed. Cir. 1997) (“there is nothing intrinsically wrong with defining something by what it does rather than what it is in drafting patent claims”).

The statute didn't simply permit unfettered functional claiming, however. Instead, section 112(f) provided:

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.<sup>34</sup>

This “means-plus-function” claiming represents a significant departure from the normal rules of patent claim construction. Patent claim construction starts with the plain meaning of the claim language. While the description of the invention can be read to help understand what the claims mean, the fundamental rule of patent claim construction is that the claim terms are not to be narrowed by reference to what the patentee actually invented or described.<sup>35</sup> A patentee can, for example, claim a group of chemicals without having described, much less tested, all or even very many of the chemicals in the group. Similarly, a patent claim to a “chair comprising a seat, legs, and a back” would cover a nearly infinite array of chairs, regardless of how many legs it has, whether it has wheels on the legs, and whether it is made of wood, metal, plastic, or upholstery. Further, if the patentee uses the magic word “comprising” (and virtually all do) the patent claim must include the listed elements but is not limited to those elements; adding additional elements (such as arms) will not avoid infringement.<sup>36</sup>

Against this backdrop, section 112(f) actually represents a significant narrowing of claim scope. While the 1952 Act rejected *Halliburton* and permitted functional claiming, in fact the sort of functional claiming the statutory text allows is far different than the functional claiming

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<sup>34</sup> 35 U.S.C. § 112(f).

<sup>35</sup> See, e.g., *Becton, Dickinson & Co. v. Tyco Healthcare Group*, 616 F.3d 1249 (Fed. Cir. 2010); *E.I. du Pont de Nemours & Co. v. Phillips Petroleum*, 849 F.2d 1430, 1433 (Fed.Cir. 1988).

<sup>36</sup> Lefstin, *supra* note \_\_, at \_\_ (making this point).

that was the norm in 1940. A means-plus-function claim element is *not* interpreted to cover every means of performing the function. Instead, the courts apply a different rule of claim construction, limiting the scope of these claims by reading in the particular technologies described in the patent specification. To take an example, suppose that the patent claim includes as an element a “means for processing data.”<sup>37</sup> Read literally, without reference to section 112(f), this language would encompass any possible means for processing data, including any computer, but also a calculator, an abacus, pencil and paper, and perhaps even the human brain. Section 112(f) permits the use of such functional language, but doesn’t permit it to cover any means of performing the data-processing function. Instead, the claim would be limited to the particular “means for processing data” actually described in the patent specification (say, an iPad) “and equivalents thereof.”<sup>38</sup>

This “means-plus-function” claiming is not limited to patent claims covering machines or articles of manufacture. The statute speaks of “structure, material, *or acts* in support” of the function,<sup>39</sup> a clear indication that the concept applies to process claims as well. And indeed the courts have applied the same basic rules to so-called “step-plus-function” claims.<sup>40</sup> Like machine claims defined in functional terms, step-plus-function claims prevent process

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<sup>37</sup> Another limit on means-plus-function claiming is that it must occur in the course of a combination of elements. “Single means” claims are invalid. *See* *In re Hyatt*, 708 F.2d 7112 (Fed. Cir. 1983). If there is more than one element, however, each of the elements can itself be a means-plus-function claim.

<sup>38</sup> *See, e.g., In re Donaldson Co.*, 16 F.3d 1189, 1193-94 (Fed. Cir. 1994) (en banc).

<sup>39</sup> 35 U.S.C. § 112(f).

<sup>40</sup> In this paper, I will sometimes use the term “means-plus-function” to encompass both true means-plus-function claims to machines and step-plus-function claims to processes.

patentees from claiming the function itself, limiting them to the particular algorithm or series of steps disclosed in the specification to perform that function “and equivalents thereof.”<sup>41</sup>

While the last phrase in the statute – “and equivalents thereof” – permits some broadening of both means-plus-function and step-plus-function claims,<sup>42</sup> courts in the last fifteen years have not read “equivalents” broadly.<sup>43</sup>

The result is that means-plus-function claiming today is viewed as narrow and easy for potential infringers to evade. Patent lawyers tend to avoid means-plus-function claim language, except as an “extra” put in a separate claim to hedge risk.<sup>44</sup> Litigators tend to dismiss those claims, reasoning that once the defendant is allowed to read limits in from the specification there will always be a way to avoid infringement.<sup>45</sup> In short, while the 1952 Act

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<sup>41</sup> *Alloc, Inc. v. U.S. Int’l Trade Comm’n*, 342 F.3d 1361 (Fed. Cir. 2003); *O.I. Corp. v. Tekmar Co.*, 115 F.3d 1576, 1583 (Fed. Cir. 1997). At the same time, courts have cautioned that not every step that includes “an ‘ing’ verb” should be construed as a step-plus-function claim. *O.I., supra*. And one judge has gone further, asserting in a concurrence that step-plus-function claims “require distinct analysis” from means-plus-function claims. *Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 172 F.3d 836 (Fed. Cir. 1999) (Rader, J., concurring). But the differences Judge Rader identifies relate to identifying step-plus-function claims, not to how they are treated once they are identified.

<sup>42</sup> *See, e.g.*, *WMG Gaming, Inc. v. Int’l Game Tech.*, 184 F.3d 1339 (Fed. Cir. 1999); *Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308, 1320-21 (Fed. Cir. 1999); *Chiuminatta Concrete Concepts v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1310 (Fed. Cir. 1998).

<sup>43</sup> *See, e.g.*, John R. Allison & Mark A. Lemley, *The (Unnoticed) Demise of the Doctrine of Equivalents*, 59 **Stan. L. Rev.** 955 (2007). For more discussion, *see infra* notes \_\_\_ - \_\_\_ and accompanying text.

<sup>44</sup> Note, *Everlasting Software*, 125 **Harv. L. Rev.** 1454, 1460 n.38 (2012) (“patent attorneys often avoid means-plus-function claiming”). For a discussion of the specifics of means-plus-function claiming in software, see Sebastian Zimmeck, *Use of Functional Claim Elements for Patenting Computer Programs*, 12 **J. High Tech. L.** 168 (2011).

<sup>45</sup> *See, e.g.*, Ronald L. Lacy et al., *Crafting the Claims*, in **Electronic and Software Patents: Law and Practice** (PLI 2d ed. 2011) (“Like method claims, apparatus claims may be afforded a broader scope of interpretation than means-plus-function claims. The apparatus claim is interpreted in light of the specification, but not under Section 112[f]”); Michael A. Molano & Gray M. Buccigross, *Traps for the Unwary: Issues Surrounding Means-Plus-Function Claims in the Software Context*, in **Fundamentals of Patent Prosecution 2011: A Boot Camp for Claim Drafting and Amendment Writing** (PLI 2011); Ryan Sharp, *Can Beauregard Claims Show You the Money?*, 2 **Cybaris: Intell. Prop. L. Rev.** 25 (2011) (“it is well known that means-plus-function claims are narrowly construed”); Rudolph P. Hofmann, Jr. & Edward P. Heller, *The Rosetta Stone for the Doctrines of Means-Plus-Function Patent Claims*, 23 **Rutgers Comp. &**

theoretically restored functional claiming, the option it offered was not really functional claiming at all, and has not been viewed as an attractive option for those seeking broad patent claims.

## **II. The New Functional Claiming**

While means-plus-function claiming under section 112(f) is in disfavor among patentees, that doesn't mean inventors have stopped seeking broad patent claims. One way to seek broad patent claims is to try to define a broad group of things. That works reasonably well in chemistry or biotechnology, where we have a standard language that allows us to define groups and determine whether a later-developed chemical is in the group. But in other areas, like mechanical inventions, a broad claim requires defining the invention at a higher level of abstraction – as hook-and-eye closures generally rather than the particular implementation of Velcro, or as hybrid gasoline-electric engines generally rather than the particular implementation of that concept in, say, Honda's Integrated Motor Assist. While these abstract claims are broader – they encompass a genus of possible implementations – they still require an irreducible minimum structure, and that structure limits the claim. There may be a number of different hook-and-eye closures, but means for attaching that don't include hooks and eyes don't fall within the scope of that patent claim.

Computer software gives patentees the opportunity to take abstraction in patent claiming to an extreme.<sup>46</sup> For the genius of computers is that structure and function can be

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**Tech. L.J.** 227, 231 (1997) (“Thus, while general claims enjoy a scope as broad as their unambiguous claim language permits, means-plus-function claims are given a different, more limited treatment.”).

<sup>46</sup> See Note, *supra* note \_\_, at 1459-60.

almost completely separated. The hardware “structure” of a computer software invention is . . . a computer. Generally speaking it doesn’t much matter what type of computer a program runs on. That fact has given patentees an opening to write “structural” claims in which the structure is not novel and does no work. A patentee who claims “means for calculating an alarm limit” is invoking the limits of section 112(f), and the claim will accordingly be limited to the particular software algorithm or implementation the patentee described in the specification. But if the same patentee claims “a computer programmed to calculate an alarm limit,” courts today will read the term “computer” as sufficient structure and will understand the claims to cover any computer that can calculate an alarm limit, however the calculation is programmed.<sup>47</sup>

Modern software patent claims quite commonly take this form. Indeed, by my estimate there are tens, perhaps hundreds of thousands of such patents. Here are just a few examples from litigated software cases:

- “A method for generating a file note in an insurance claim, comprising the steps [], executed **in a data processing system**, of [a series of conceptual steps].”<sup>48</sup>
- “A method of operating **a computer system** for exchanging identities between two anonymous parties, comprising the steps of [a number of process steps].”<sup>49</sup>
- “**A computer readable medium** containing program instructions for detecting fraud in a credit card transaction between a consumer and a merchant over **the Internet**, wherein execution of the program instructions by **one or more processors of a computer system** causes the one or more processors to carry out the steps of . . .”<sup>50</sup>

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<sup>47</sup> One might argue that such a claim is really a process claim, not a system claim at all. The Federal Circuit drew that conclusion in *Cybersource v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011). But since section 112(f) applies to process as well as system claims, the characterization shouldn’t matter for our purposes.

<sup>48</sup> U.S. Patent No. 7,017,111 B1 claim 1, at issue in *Accenture Global Servs. v. Guidewire Software, Inc.*, 800 F. Supp. 2d 613 (D. Del. 2011). Full disclosure: I represent Guidewire in this case, which is pending.

<sup>49</sup> U.S. Patent No. 5,884,270 claim 1, at issue in *Walker Digital LLC v. MySpace, Inc.*, (D. Del. 2012). ). Full disclosure: I represent LinkedIn in this case, which is pending.

<sup>50</sup> U.S. Patent No. 6,029,154, claim 2, at issue in *Cybersource v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011).



- “A **computer program product** for use in a **system having at least one client workstation and one network server coupled to said network environment**, wherein said network environment is a distributed hypermedia environment, the computer program product comprising: a **computer usable medium** having computer readable program code physically embodied therein, said computer program product further comprising [software steps]”<sup>51</sup>
- “A **computer-readable storage medium** storing program code for causing a **server** that serves as a gateway to a client to perform the steps of: [processing program instructions]”<sup>52</sup>
- “A **computer aided** method of managing a credit application, the method comprising the steps of: receiving credit application data from a **remote application entry and display device**; selectively forwarding the credit application data to **remote funding source terminal devices**; [other steps without hardware omitted]”<sup>53</sup>
- “A method for distribution of products over **the Internet** via a facilitator, said method comprising the steps of [many steps that don’t require any hardware].”<sup>54</sup>
- “A method using a **computer network and a database** accessible through the **computer network**, comprising the steps of [various steps, some employing the terms “computer network” and “database”].”<sup>55</sup>
- [claim from *Versata v SAP*]
- “In a **data communication system** wherein messages comprising data code words are to be transmitted from a **data transmitter** to one or more of a **plurality of data receivers**, a method of transmission of such messages comprising the steps of [data processing steps].”<sup>56</sup>
- “A method for use in a **computer having a display** comprising the steps of” [employing various software tools]<sup>57</sup>

My point in highlighting these examples is not to suggest that all these claims are unduly broad, though some have been held invalid and some others probably should have been. Some

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<sup>51</sup> U.S. Patent No. 5,838,906 claim 6, at issue in *Eolas Techs., Inc. v. Microsoft Corp.*, 457 F.3d 1279 (Fed. Cir. 2006).

<sup>52</sup> U.S. Patent No. 6,092,104 claim 65, at issue in *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed. Cir. 2010).

<sup>53</sup> U.S. Patent No. 7,181,427 claim 1, at issue in *DealerTrack v. Huber*, \_\_\_ F.3d \_\_\_, 2012 WL 164439 (Fed. Cir. Jan. 20, 2012).

<sup>54</sup> U.S. Patent No. 7,346,545 claim 1, at issue in *Ultramercial LLC v. Hulu LLC*, 657 F.3d 1323 (Fed. Cir. 2011).

<sup>55</sup> U.S. Patent No. 5,778,367 claim 1, at issue in *MySpace, Inc. v. Graphon Corp.*, 672 F.3d 1250 (Fed. Cir. 2012).

<sup>56</sup> U.S. Patent No. 4,975,952 claim 1, at issue in *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321 (Fed. Cir. 2010).

<sup>57</sup> U.S. Patent No. 4,763,556 claim 19, at issue in *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

of these claims contain process steps sufficiently detailed that the resulting claims are quite narrow. Rather, the point is that the claims are effectively unlimited *as a matter of structure*. The function they perform may be simple or complex, broad or narrow, but in the modern world the patent claims listed above effectively cover *any device* that performs that function in any way. Even if it were theoretically possible to implement a computer program in some device other than “a computer having a display,” as a practical matter any use of the steps specified in that patent is going to occur in a computer, and any modern computer is going to have a display. As a practical matter, claims with a trivial structural element that everyone must include are claims to function, not structure.

The absence of a real hardware limitation wouldn't be such a problem if the patentee's claims were limited to a particular software implementation of the invention. In fact, however, those claims are rarely limited to a particular software algorithm. The process steps implemented in the generally-claimed computer are also claimed in broad functional terms. That is, the patentee claims the end it accomplishes, not the means of getting there. Indeed, software patent claims often go further. Rather than claiming any implementation of a particular idea in a computer, these “capability claims” assert ownership of any device that is capable of implementing that idea, whether or not the device actually does so. There are numerous examples of claims reciting phrases such as “programmable means for ...,”<sup>58</sup> “... capable of engaging”<sup>59</sup> “adapted to ...”, “for ...ing,” “operable to ...,” and the like. While any of a variety of language constructs may be recited by patentees to denote capability literally

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<sup>58</sup> U.S. Patent 4,685,084 claim 1, at issue in *Intel Corp. v. U.S. Int'l Trade Comm'n.*, 946 F.2d 821 (Fed. Cir. 1991).

<sup>59</sup> U.S. Patent RE37,545 claim 22, at issue in *Revolution Eyewear Inc. v. Aspex Eyewear Inc.*, 90 U.S.P.Q.2d 1733 (Fed. Cir. 2009).

present, a recent sample of patent claims issued indicates that even the most overt form (“capable of”) appears *in the claims* of nearly twelve thousand patent issued in the first nine months of 2011.<sup>60</sup> When compared to patents issued a decade earlier, numbers and percentages are essentially unchanged.<sup>61</sup> Overwhelmingly, these capability claims are software or computer technology patents. And while the Federal Circuit has read these claims to require the technology to be programmed into the system, as opposed to covering computers that would have to be reprogrammed to perform the identified function,<sup>62</sup> the combination of a structural element that is essentially not limiting and a function that doesn’t even have to be enabled can lead to patents that are broad indeed.<sup>63</sup>

Software patents, then, have brought back functional claiming as it existed before 1952. The computer hardware elements impose no real limitation on an invention that must of necessity be implemented a computer, particularly since one of the features of computer technology is that the particular hardware chosen usually doesn’t constrain what software can be run. Thus, as a practical matter the only real limits on claims of this sort are the steps the software must perform.

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<sup>60</sup> Mark A. Lemley & David W. O’Brien, *Capability Claiming* (working paper 2011): Specifically, between 1-January-2011 and 14-October-2011, a search of the USPTO Patent Full-Text and Image Database (<http://patft.uspto.gov/>) indicates that a total of 11,746 U.S. Patents (including reissues) granted with the textual string “capable of” at least once in the claims. With 193,507 U.S. Patents issued during the same period, that is slightly more than 6% of the total. Inclusion of “adapted to” in the search, more than doubles the number of hits to 27,393 (or more than 14% of all patents issued calendar year 2011 to date).

<sup>61</sup> *Id.* (“12,343 (or 6.5%) of 184,045 U.S. Patents issued in calendar year 2001 include the textual string “capable of” at least once in the claims.”).

<sup>62</sup> *Fantasy Sports Properties v. Sportsline.com*, 287 F.3d 1108 (Fed. Cir. 2002); *Typhoon Touch Techs. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011).

<sup>63</sup> If read that broadly, they are probably also invalid, since any processor is presumably “capable of” being programmed to perform the steps in question.

Those steps are quite often defined in functional terms. The software claim elements generally do not specify particular coding approaches or modules that must be used, much less the code that implements those modules.<sup>64</sup> Indeed, courts have not required significant disclosure of code or program structure even in the specification.<sup>65</sup> Instead, the software

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<sup>64</sup> Robin Feldman argues that functional claiming in software results in part from early judicial doubts about the patenting of computer algorithms themselves:

The message was clear, however, that if an innovation was ever going to survive a court challenge, it had to avoid being labeled an algorithm or looking too much like math. The result was an attempt to describe the process of what was happening in simple English terms by moving the description of the process to an even more abstract plane. If successful, the approach would have the advantage of allowing the inventor to tie up an even larger swath of territory, given that broad, abstract language had the potential to cover many different ways of accomplishing the same result. For example, an algorithm designed to operate on digital images may be claimed by the simple language of what it is intended to do, thus covering a far wider territory than mathematically describing the algorithm itself.

Most troubling, the incentive to describe what is happening in linguistic rather than mathematical terms could also provide a tremendously wide footprint for each patent. For example, consider the applicant who would now simply use the claims language "applying a statistical model" rather than providing the notation of the actual statistical model or formula that is used. The general term "statistical model" will have very broad coverage if it is not strictly defined.

Robin Feldman, **Rethinking Patent Law** 109-12 (Harvard Univ. Press 2012).

<sup>65</sup> For instance, the Federal Circuit has held that software patentees need not disclose source or object code, flow charts, or detailed descriptions of the patented program. Rather, the court has found high-level functional descriptions sufficient to satisfy both the enablement and best mode doctrines. See *Fonar Corp. v. General Electric Co.*, 107 F.3d 1543, 1549 (Fed. Cir. 1997); *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed. Cir. 1990); *In re Hayes Microcomputer Prods.*, 982 F.2d 1527 (Fed. Cir. 1992); see also Lawrence D. Graham & Richard O. Zerbe, Jr., *Economically Efficient Treatment of Computer Software: Reverse Engineering, Protection, and Disclosure*, 22 RUTGERS COMPUTER & TECH. L.J. 61, 96-97 (1996); Anthony J. Mahajan, Note, *Intellectual Property, Contracts, and Reverse Engineering After ProCD: A Proposed Compromise for Computer Software*, 67 FORDHAM L. REV. 3297, 3317 (1999). For example, in *Northern Telecom*, the court noted expert testimony that various programs could be used to implement the invention, and that it would be "relatively straightforward [in light of the specification] for a skilled computer programmer to design a program to carry out the claimed invention." *Id.* at 941-42. The court continued:

The computer language is not a conjuration of some black art, it is simply a highly structured language . . . . The conversion of a complete thought (as expressed in English and mathematics, i.e. the known input, the desired output, the mathematical expressions needed and the methods of using those expressions) into a language a machine understands is necessarily a mere clerical function to a skilled programmer.

elements tend to be drafted in terms of the function they perform, claiming things like “program code for causing a server that serves as a gateway to a client to perform the steps of” a, b, and c.<sup>66</sup> Any code that causes the computer to perform those steps infringes the patent claim. It is the function, not the particular tool the patentee developed to perform that function, that is the subject of the patent.

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*Id.* at 942 (quoting *Ex rel Sherwood*, 613 F.2d 809, 817, n.6 (Ct. Cust. Pat. App. 1980). And in *Fonar*, the Court explained:

As a general rule, where software constitutes part of a best mode of carrying out an invention, description of such a best mode is satisfied by a disclosure of the functions of the software. This is because, normally, writing code for such software is within the skill of the art, not requiring undue experimentation, once its functions have been disclosed. It is well established that what is within the skill of the art need not be disclosed to satisfy the best mode requirement as long as that mode is described. Stating the functions of the best mode software satisfies that description test. We have so held previously and we so hold today. Thus, flow charts or source code listings are not a requirement for adequately disclosing the functions of software.

*Id.* at 1549 (citations omitted).

Indeed, in a few cases the Federal Circuit has gone so far as to hold that patentees can satisfy the written description and best mode requirements for inventions implemented in software even though they do not use the terms “computer” or “software” anywhere in the specification! See *Robotic Vision Sys., Inc. v. View Eng’g, Inc.*, 112 F.3d 1163 (Fed. Cir. 1997) (best mode); *In re Dossel*, 115 F.3d 942 (Fed. Cir. 1997) (written description).

By contrast, in *White Consol. Indus., Inc. v. Vega Servo-Control, Inc.*, 713 F.2d 788 (Fed. Cir. 1983), the Federal Circuit had invalidated a patent for a machine tool control system which was run by a computer program. Part of the invention was a programming language translator designed to convert an input program into machine language, which the system could then execute. The patent specification identified an example of a translator program, the so-called SPLIT program, which was a trade secret of the plaintiff. The court held that the program translator was an integral part of the invention, and that mere identification of it was not sufficient to discharge the applicant's duty under section 112. The court seemed concerned that maintaining the translator program as a trade secret would allow White to extend the patent beyond the 17-year term then specified in the patent code.

While *White* suggests that it is not sufficient merely to identify the program or its functions, more recent Federal Circuit authority is overwhelmingly to the contrary. See, e.g., *In re Dossel*, 115 F.3d at 946 (Fed. Cir. 1997) (“While the written description does not disclose exactly what mathematical algorithm will be used to compute the end result, it does state that ‘known algorithms’ can be used to solve standard equations which are known in the art.” This was deemed sufficient to describe the invention).

For discussion of this issue in more detail, see Dan L. Burk & Mark A. Lemley, *Is Patent Law Technology-Specific?*, 17 *Berkeley Tech. L.J.* 1155 (2002).

<sup>66</sup> U.S. Patent No. 6,092,104 claim 65, at issue in *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed. Cir. 2010).

Nonetheless, these functional software claims have not been subject to the normal constraints section 112(f) imposes on means-plus-function claims. While the Federal Circuit has of late been quite vigilant in limiting software patentees who write claims in means-plus-function format to the particular algorithms that implement those claims,<sup>67</sup> it has not treated any of the claims discussed above as means-plus-function claims at all. The presence of structure in the form of “a computer” or “a processor” or even “the Internet” has led the Federal Circuit to give these claims control over the claimed function however implemented.<sup>68</sup>

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<sup>67</sup> In re Aoyama, 656 F.3d 1293 (Fed. Cir. 2011) (means-plus-function software patent claim invalid as indefinite for failure to disclose the corresponding algorithm performing that function); Aristocrat Techs. v. Int’l Game Tech., 521 F.3d 1328 (Fed. Cir. 2008); Typhoon Touch Techs., Inc. v. Dell, Inc., 659 F.3d 1376 (Fed. Cir. 2011) (means-plus-function software claims required disclosure of corresponding structure performing that function in the specification, but that structure did not need to be described in the form of software code); Cf. HTC Corp. v. IPCom GmbH & Co., 667 F.3d 1270 (Fed. Cir. 2012) (means-plus-function software claim would have been invalid as indefinite for failure to disclose the algorithm that performed the functions of the software, but defendant waived the issue). For discussion of these cases, see Greg R. Vetter, *Patent Law’s Unpredictability Doctrine and the Software Arts*, 76 **Mo. L. Rev.** 763 (2011); Sharon Barkume, *Strict Interpretation of 35 U.S.C. § 112 Requires Universities to Reexamine Their Patenting Methods*, 28 **Touro L. Rev.** 183 (2012); Christa J. Laser, *A Definite Claim on Claim Indefiniteness: An Empirical Study of Definiteness Cases of the Past Decade With a Focus on the Federal Circuit and the Insolubly Ambiguous Standard*, 10 **Chi.-Kent J. Intell. Prop.** 25, 37 tbls. 6-7 (2010).

<sup>68</sup> See, e.g., *Inventio AG v. ThyssenKrupp Elevator Ams. Corp.*, 649 F.3d 1350, 1359-60 (Fed. Cir. 2011) (“computing unit” connoted sufficiently definite structure that it did not invoke section 112(f)); *LG Elecs., Inc. v. Bizcom Elecs., Inc.*, 453 F.3d 1364, 1372 (Fed. Cir. 2006), *rev’d on other grounds*, *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008) (“claimed “control unit” that comprised a “CPU” and a “portioned memory system” recited sufficiently definite structure to perform the recited “controlling the communication unit” function.”); *but see Brown v. Baylor Healthcare Sys.*, 381 F. Appx. 981, 983-84 (Fed. Cir. 2010) (unpub.) (“even if a “computing unit” is read to mean a computer, simply disclosing “a general processor without more” is not enough “to perform the claimed function” and avoid the application of” section 112(f)). The origins of this approach seem to be in the 1990s, when the Federal Circuit decided *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc). That court held: Alappat admits that claim 15 would read on a general purpose computer programmed to carry out the claimed invention, but argues that this alone also does not justify holding claim 15 unpatentable as directed to nonstatutory subject matter. We agree. We have held that such programming creates a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software. *Id.* at 1545. By concluding that a general-purpose computer was a new machine whenever it was programmed with new instructions, the Federal Circuit opened the door to treating a programmed

As a result, software patents have circumvented the limits the 1952 Act places on functional claiming. The result has been a plethora of software patents claimed not on the basis of the technology the patentee actually developed, but on the basis of the function that technology performs.

### III. Functional Claims and the Trouble With Software Patents

#### A. The Problem With Software Patents

Software patents are widely acknowledged as creating a large number of problems for the patent system. Part of the problem is that there are so many software patents out there. Estimates vary widely, in part because it's hard to know what a software patent is, but there are certainly hundreds of thousands of software patents in force. Because computer products tend to involve complex, multi-component technology, any given product is potentially subject to a large number of patents. A few examples: 3G wireless technology was subject to more than 7000 claimed "essential" patents as of 2004; the number is doubtless much higher now.<sup>69</sup> WiFi is subject to hundreds and probably thousands of claimed essential patents.<sup>70</sup> And the problem is even worse than these numbers suggest, since both 3G wireless technology and WiFi are not themselves products but merely components that must be integrated into a final product.

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computer as physical structure rather than as a functional claim that had to be interpreted under section 112(f).

<sup>69</sup> For discussion and sources, see Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 **Tex. L. Rev.** 1991 (2007). Information on patents essential to 3G wireless technology is collected at <http://www.3gpp2.org/>, though that includes only patent disclosed to that group.

<sup>70</sup> Ed Sutherland, *WiMax, 802.11n Renew Patent Debate* (Apr. 7, 2005), <http://www.wi-fiplanet.com/columns/article.php/3495951>.

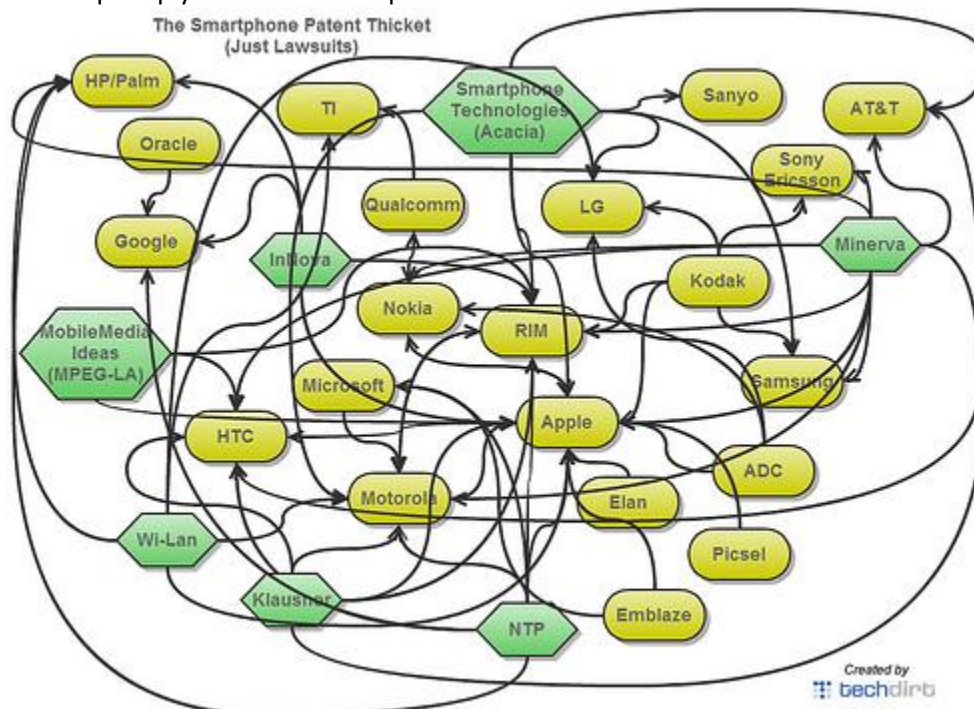
Some industry experts have estimated that 250,000 patents go into a modern smartphone.<sup>71</sup>

Even nominally open-source technologies may turn out to be subject to hundreds or thousands of patents.<sup>72</sup> The result is what Carl Shapiro has called a “patent thicket” – a complex of overlapping patent rights that simply involves too many rights to cut through.<sup>73</sup>

A related problem is the uncertainty associated with the meaning and scope of a software patent. Unlike chemistry and biotechnology, where we have a clear scientific language for delineating what a patent claim does and doesn’t cover, there is no standard language for software patents. Accordingly, no one can really know what a software patent

<sup>71</sup> See <http://googleblog.blogspot.com/2011/08/when-patents-attack-android.html> (statement of David Drummond, Chief Legal Officer at Google).

<sup>72</sup> *Id.* (discussing patents that threaten the open-source Android operating system). Microsoft, Nokia, Apple and others have all filed suit against makers of Android phones, part of a crazy tangle of litigation. The full panoply of lawsuits is depicted here:



<http://www.flickr.com/photos/floorsixtyfour/5061246255/>.

<sup>73</sup> Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard-Setting*, in 1 **Innovation Policy and the Economy** 119 (Adam Jaffe et al. eds., 2000). See also Michael Heller & Rebecca S. Eisenberg, *Can Patents Deter Innovation? The Anticommons in Biomedical Research*, 280 *Sci.* 698 (1998).



covers until the court has construed the language of the patent claims.<sup>74</sup> And because the Federal Circuit reverses as many as 40% of claim constructions,<sup>75</sup> the parties really can't know what a software patent covers until the Federal Circuit has addressed the issue. Compounding this problem, software patents in the 1980s and 1990s had to be disguised as something else in order to be patentable subject matter, which means that many early software patent claims were written to obfuscate what was in fact inventive about the technology.<sup>76</sup> Even worse, patentees can often benefit from ambiguous patent claims by twisting the language of the patent claim to cover something the inventor never in fact had in mind at the time.<sup>77</sup> Indeed, because computer technology changes so quickly and it takes four years to get a patent out of the PTO on average, software patents are almost always asserted against technology that is several product generations removed from the patentee's invention, compounding the

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<sup>74</sup> Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts: Rethinking Patent Claim Construction*, 157 **U. Pa. L. Rev.** 1743 (2009).

<sup>75</sup> For empirical studies of the high reversal rate in *Markman* hearings, see, e.g., Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 **Harv. J.L. & Tech.** 1, 2 (2001); Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 **Berkeley Tech. L.J.** 1075 (2001); Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 **Lewis & Clark L. Rev.** 231, 232-34 (2005); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 **Mich. L. Rev.** 223 (2008). Cf. David L. Schwartz, *Pre-Markman Reversal Rates*, 43 **Loy. L.A. L. Rev.** 1073 (2010) (studying reversal rates before district judges began expressly construing patent claims). Jonas Anderson and Peter Menell have found in a more recent study that the claim construction reversal rate is declining, but it is still over 25%. J. Jonas Anderson & Peter S. Menell, *The Emergence of Informal Deference: An Empirical Examination of the Federal Circuit's Patent Claim Construction Jurisprudence* (draft 2012).

<sup>76</sup> See, e.g., Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 **Calif. L. Rev.** 1, 3-7 (2001) (discussing this history). Cohen and Lemley refer to the cases permitting software patents only if they pretended to be something else as establishing "the doctrine of the magic words."

<sup>77</sup> Burk & Lemley, *supra* note \_\_, at \_\_ ("In case after case, patentees claim to have invented electronic commerce, or multimedia, or video on demand, or voice-over-Internet, or call centers, or any of a hundred other successful technologies.").

problem of trying to understand the scope of software patents. The uncertainty problem is so bad that no one can agree on what a software patent even is.<sup>78</sup>

It is not just the scope and definition of software patents is uncertain. Patents are probabilistic rights – what Carl Shapiro calls rights to *try* to exclude.<sup>79</sup> Many asserted software patents are invalid. Empirical evidence suggests that nearly half of all asserted patents are invalid;<sup>80</sup> there is some reason to believe software patents may be more likely than most to be invalid.<sup>81</sup> That means that even if a product-producing company could actually identify all of the thousands of patents that might ultimately be held to read on that product, they would be wasting their money in many cases if they tried to pay a license fee for each of those patents.

Among product-producing companies, the number and uncertainty of patents has created a patent “arms race,” in which companies jockey to obtain more and more patents not in order to enforce those patents, but to protect themselves against the risk that competitors

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<sup>78</sup> For various efforts to define software patents, see, e.g., James Bessen & Robert M. Hunt, *An Empirical Look at Software Patents* 4-5 (Nat'l Bureau of Econ. Research, Working Paper No. 03-17/R, 2004), available at <http://www.researchoninnovation.org/swpat.pdf>; James Bessen, *A Generation of Software Patents* (Boston Univ. School of Law, Law & Economics Research Paper No. 11-31, 2011), available at <http://ssrn.com/abstract=1868979>; Robert Hunt & James Bessen, *The Software Patent Experiment*, *Bus. Rev.*, Q3 2004, at 22, 25-26, available at <http://www.phil.frb.org/files/br/brq304rh.pdf>; John R. Allison & Ronald J. Mann, *The Disputed Quality of Software Patents*, 85 *Wash. U. L. Rev.* 297, 314 (2007). One recent evaluation found that these different methods of defining software patents had less than 30% overlap. That is, even the experts cannot agree most of the time on whether a patent even is a software patent.

<sup>79</sup> See Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 *J. Econ. Persp.* 75 (2005).

<sup>80</sup> John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 *AIPLA Q.J.* 185 (1998) (46% of litigated patent claims invalid).

<sup>81</sup> See Bessen & Hunt, *Empirical Look*, *supra* note \_\_; Allison et al., *Patent Quality*, *supra* note \_\_; *but cf.* Allison & Mann, *supra* note \_\_ (noting that the objective characteristics of software patents suggest that they are of high private value). High private value does not necessarily translate into validity; Allison et al. found that the most-litigated patents were extremely valuable even though most turned out to be invalid.

will enforce *their* patents.<sup>82</sup> The cost of this arms race can be staggering; in the last few years companies in the smartphone industry have spent \$15-20 billion buying patents to use in defending themselves against each other, and hundreds of millions paying their lawyers.<sup>83</sup> And small companies must play the game too; by 2002 the overwhelming majority of software startups found it necessary to obtain patents even before going public<sup>84</sup> – which, given the four-year delay in the PTO, means that they must have started filing patent applications early indeed.

Spending billions of dollars to buy your own patents is not enough to protect an innovative software company from software patents. Patent “trolls” – those who don’t practice their patented technology but sue others who do – are legion in the software industry. Software and Internet patents are nearly ten times as likely to be enforced in court as other types of patents.<sup>85</sup> Empirical evidence suggests that the most-litigated patents (a group responsible for more than 10% of all patent assertions) are overwhelmingly software patents, overwhelmingly filed by patent trolls, and overwhelmingly unsuccessful in court. Less than 10%

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<sup>82</sup> See Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 *Hastings L.J.* 297 (2010); Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narrative and Evidence in the Litigation of High-Tech Patents*, 87 *N.C. L. Rev.* 1571 (2009). For a theoretical account of multi-patent portfolios, see Gideon Parchomovsky & R. Polk Wagner, *Patent Portfolios*, 154 *U. Pa. L. Rev.* 1 (2005).

<sup>83</sup> Google bought Motorola Mobility for \$12.5 billion. An Apple-Microsoft-Oracle-Nokia consortium bought Nortel's patent portfolio for \$4.5 billion. Microsoft bought Novell's patent portfolio for \$900 million, and some of AOL's patents for \$1 billion. Facebook bought some of Microsoft's new AOL patents for \$500 million. That's \$19.4 billion, not counting a variety of smaller transactions in the \$100-200 million range. Even if we credit \$5 billion of the Motorola purchase to its hardware market, which is generous, that's still \$14.4 billion just for smartphone patent purchases. In addition, my estimate is that the parties in the ongoing smartphone litigation have already spent \$500 million in legal fees, and the cases are just beginning.

<sup>84</sup> Rosemarie H. Ziedonis, *On the Apparent Failure of Patents: A Response to Bessen & Meurer*, *Acad. Mgmt. Persp.*, Nov. 2008, at 21, 26 Fig. 2. Ziedonis sees this as evidence that startups benefited from software patents, but it seems more likely evidence that they were caught up in the patent arms race.

<sup>85</sup> John R. Allison et al., *Patent Litigation and the Internet* 6 (working paper 2012).

of software patents in the most-asserted group actually prevail when the case goes to judgment.<sup>86</sup> Nonetheless, patent trolls are big business, representing perhaps as many as half of all patent suits in the software industry.<sup>87</sup> They are mutating in form, with companies developing into “patent aggregators” that collect tens of thousands of patents and demand royalties to license the portfolio, suing those who don’t pay.<sup>88</sup> And they have more recently been joined by “patent privateers” – product-producing companies who spin off patents or ally with trolls to target a competitor with lawsuits.<sup>89</sup> The result? According to one estimate, trolls cost the economy \$500 billion over the last twenty years, mostly in the information technology industry.<sup>90</sup> Other reports suggest that patent trolls inhibit innovation at the firms they sue.<sup>91</sup>

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<sup>86</sup> Allison et al., *Patent Quality*, *supra* note \_\_; see also Allison et al., *Internet*, *supra* note \_\_, at 7 (win rate of Internet patents was extremely low, roughly 10%).

<sup>87</sup> Cf. Allison et al., *Internet*, *supra* note \_\_, at 6 (small entities were much more likely than large entities to enforce Internet patents). Credible estimates the extent of patent troll litigation are hard to come by. Colleen Chien found several years ago that trolls filed 19% of all patent suits. Chien, *supra* note \_\_, at \_\_. But that number surely understates the role of trolls in the software industry, both because trolls are most prevalent in high-tech industries (and virtually unheard of in industries like pharmaceuticals) and because trolls tend to sue many more defendants on average than do product-producing companies. See Allison et al., *Extreme Value*, *supra* note \_\_ (noting that trolls own most of the most-litigated patents); Allison et al., *Patent Quality*, *supra* note \_\_ (finding that troll suits name more defendants than do non-troll suits); James C. Pistorino & Susan Crane, *2011 Trends in Patent Case Filings*, **BNA Patent, Trademark, & Copyright J.**, [http://www.perkinscoie.com/files/upload/PL\\_12\\_03PistorinoArticle.pdf](http://www.perkinscoie.com/files/upload/PL_12_03PistorinoArticle.pdf) (suits filed in the Eastern District of Texas, which are overwhelmingly troll suits, named many more defendants per case than suits elsewhere). More recently, Colleen Chien has found a dramatic increase in the number of patent troll suits, to 59% of all cases (and 91% of suits filed in the Eastern District of Texas). Colleen V. Chien, *NPEs in the Northern District of California* (working paper 2012). Trolls are also behind the claims against 50% of the defendants in the International Trade Commission, even though the ITC nominally has a requirement that there be a domestic industry protected by the patent. See Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, \_\_ **Cornell L. Rev.** \_\_ (forthcoming 2012).

<sup>88</sup> See Robin Feldman & Tom Ewing, *The Giants Among Us*, 2012 **Stan. Tech. L. Rev.** 1 (documenting the behavior of one such patent aggregator, Intellectual Ventures).

<sup>89</sup> See Tom Ewing, *Indirect Exploitation of Intellectual Property Rights by Corporations and Investors*, 4 **Hastings Sci. & Tech. L.J.** 1 (2012).

<sup>90</sup> James Bessen et al., *The Private and Social Costs of Patent Trolls* (working paper 2011). While a functioning patent market might be a desirable thing, see Robert P. Merges, *The Trouble With Trolls*:

The combination of a thicket of hundreds of thousands of patents, the prevalence of patent trolls and their kin, the invalidity of many of those patents, and uncertainty as to what the patents actually cover means that companies in the software industry largely ignore patents unless and until they are threatened with suit.<sup>92</sup> But if a software product is successful, its maker can expect to be hit with dozens of suits and hundreds of threat letters from patent owners who come out of the woodwork and seek a royalty from that product.<sup>93</sup> Until recently each of those patentees could credibly threaten to shut down the defendant's product altogether, even if the patent covers only a small fraction of the product. Even after the Supreme Court's decision in *eBay, Inc. v. MercExchange LLC*,<sup>94</sup> reduced the risk of injunction-related holdup,<sup>95</sup> the fact that patentees have been able to seek large damage awards

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*Innovation, Rent Seeking, and Patent Law Reform*, 24 **Berkeley Tech. L.J.** 1583 (2009), there is no reason to believe patent trolls are in fact engaged in much legitimate technology transfer.

<sup>91</sup> Catherine Tucker, *Patent Trolls and Technology Diffusion*, (working paper 2012).

<sup>92</sup> For evidence and discussion, see Mark A. Lemley, *Ignoring Patents*, 2008 **Mich. St. L. Rev.** 19. See also Rebecca S. Eisenberg, *Patent Costs and Unlicensed Use of Patented Inventions*, 78 **U. Chi. L. Rev.** 53 (2011) (arguing that ignoring patents gives some freedom to technology companies to operate, but that they would be unwise to rely too heavily on forbearance by patent owners).

<sup>93</sup> To take just a few examples, Lex Machina data shows that as of May 1, 2012, Apple had been named in 298 patent lawsuits over the last dozen years, Microsoft in 269 patent lawsuits, Google in 151, Yahoo! in 91, Oracle in 58, Facebook in 56, SAP in 38, Yelp in 9, and Twitter in 8. [www.lexmachina.com](http://www.lexmachina.com). While some of these companies, notably Apple and Oracle, are plaintiffs in some suits, the overwhelming majority of these cases involve the named companies as patent infringement defendants, and the majority are filed by patent trolls. Lemley and Shafir show in forthcoming work that filing an IPO attracts an average of eight patent lawsuits. Mark A. Lemley & Ziv Shafir, *"Because That's Where the Money Is": IPOs and Patent Suits* (vaporware 2012).

<sup>94</sup> 547 U.S. 388 (2006).

<sup>95</sup> *eBay* didn't eliminate the injunction-based holdup problem, however, even for suits by patent trolls. Trolls increasingly have turned to the International Trade Commission, an administrative agency that has the authority to exclude infringing products from entering the United States. And the ITC is not subject to *eBay's* limits on injunctive relief. For discussion of the increasing use of the ITC by trolls, and what might be done about it, see Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 **Santa Clara Comp. & High Tech. L.J.** 169 (2011); Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, \_\_\_ **Cornell L. Rev.** \_\_\_ (forthcoming 2012).

disproportionate to the value of the patented technology has created a “royalty stacking” problem.<sup>96</sup>

Software patents, then, have created a large number of problems for the industry, particularly for the most innovative and productive companies. At the same time, software patents are arguably less necessary to spur innovation than are patents in other industries, such as pharmaceuticals or biotechnology. Software innovation is less costly than innovation in the life sciences.<sup>97</sup> Copyright also protects software and prevents copying by others.<sup>98</sup> Network effects may allow innovators to capture significant returns even absent IP protection.<sup>99</sup> And the existence of a vibrant open source community suggests that innovation can flourish in software absent patent protection.<sup>100</sup> If Michael Abramowicz and John Duffy are correct that we should only grant patents that encourage innovation we wouldn’t have gotten otherwise,<sup>101</sup> software seems a poor candidate for patent protection.

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<sup>96</sup> Lemley & Shapiro, *Royalty Stacking*, *supra* note \_\_, at \_\_.

<sup>97</sup> Dan L. Burk & Mark A. Lemley, **The Patent Crisis and How the Courts Can Solve It** \_\_ (2009) (citing evidence on relative cost of development).

<sup>98</sup> 17 U.S.C. §102(a).

<sup>99</sup> See, e.g., Carl Shapiro & Hal Varian, **Network Rules** (2000); Joseph Farrell & Garth Saloner, *Standardization, Compatibility, and Innovation*, 16 **Rand J. Econ.** 70, 70 (1985); Michael L. Katz & Carl Shapiro, *Network Externalities, Competition, and Compatibility*, 75 **Am. Econ. Rev.** 424, 424 (1985) Mark A. Lemley & David McGowan, *Legal Implications of Network Economic Effects*, 86 **Cal. L. Rev.** 479 (1998).

<sup>100</sup> For discussion of the significance of open source software, see, e.g., Yochai Benkler, **The Wealth of Networks** 219–33 (Yale 2006); Eric S. Raymond, **The Cathedral and the Bazaar** 64–66 (1999); Josh Lerner and Jean Tirole, *Some Simple Economics of Open Source*, 52 **J. Indus. Econ.** 197, 212–15 (2002). On open source and its implications for law, see, e.g., Yochai Benkler, *Coase’s Penguin, or, Linux and The Nature of the Firm*, 112 **Yale L. J.** 369, 411–12 (2002); David McGowan, *Legal Implications of Open-Source Software*, 2001 **U. Ill. L. Rev.** 241, 260–62; Michele Boldrin and David K. Levine, *Market Structure and Property Rights in Open Source Industries*, 30 **Wash. U. J. L. & Pol’y** 325, 330–33 (2009); James Bessen, *Open Source Software: Free Provision of Complex Public Goods*, in Jürgen Bitzer and Philipp J.H. Schröder, eds, **The Economics of Open Source Software Development** 57, 79–80 (Elsevier 2006); Greg R. Vetter, *Commercial Free and Open Source Software: Knowledge Production, Hybrid Appropriability, and Patents*, 77 **Fordham L. Rev.** 2087, 2129–31 (2009).

<sup>101</sup> Michael Abramowicz & John F. Duffy, *The Inducement Standard of Patentability*, 120 **Yale L.J.** 1590 (2011). *But cf.* Jonathan Barnett, *Intellectual Property as a Law of Organization*, 84 **S. Cal. L. Rev.** 785

The result has been that economic evidence suggests software patents impose significant costs on society. Jim Bessen and Mike Meurer estimate the social cost of patent trolls at an aggregate of \$500 billion.<sup>102</sup> Elsewhere, the same authors find that patents in the information technology industry have a net negative effect on market value of companies in the industry.<sup>103</sup>

## B. Proposals to Reform Software Patents

### 1. Abolishing Software Patents

In response to these problems, a number of commentators have called for the abolition of software patents.<sup>104</sup> Dan Burk and I have argued elsewhere that such a remedy is overbroad;

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(2011) (arguing that companies will substitute for the absence of patents with potentially-inefficient organizational changes); Dan L. Burk & Brett H. McDonnell, *The Goldilocks Hypothesis: Balancing Intellectual Property Rights at the Boundary of the Firm*, 2007 **U. Ill. L. Rev.** 575 (same).

<sup>102</sup> James Bessen et al., *The Private and Social Costs of Patent Trolls* 20, 32 tbl.3 (Bos. Univ. Sch. of Law, Working Paper No. 11-45, 2011), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1930272](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1930272). Bessen et al. find that little of this money is a transfer to patent trolls; most is a pure welfare loss.

<sup>103</sup> James Bessen & Michael Meurer, **Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk** (2008).

<sup>104</sup> See, e.g., League for Programming Freedom, *Is This the Future of Software?*, **Dr. Dobb's J.**, Nov. 1990, at 56; Alan Newell, *The Models Are Broken, The Models Are Broken!*, 47 **U. Pitt. L. Rev.** 1023, 1025 (1986); Pamela Samuelson, *Benson Revisited: The Case Against Patent Protection for Algorithms and Other Computer Program-Related Inventions*, 39 **Emory L.J.** 1025 (1990); Joshua D. Sarnoff, *Patent-Eligible Inventions After Bilski: History and Theory*, 63 **Hastings L.J.** 53 (2011). But see Donald S. Chisum, *The Patentability of Algorithms*, 47 **U. Pitt. L. Rev.** 959, 1014-15 (1986); Mark A. Lemley et al., *Life After Bilski*, 63 **Stan. L. Rev.** 1315 (2011); Robert P. Merges, *Software and Patent Scope: A Report from the Middle Innings*, 85 **Tex. L. Rev.** 1627 (2007); Michael Risch, *Everything Is Patentable*, 75 **Tenn. L. Rev.** 591 (2008).

In *Bilski v. Kappos*, 130 S.Ct. 3218 (2010), four Justices would have drawn a similar line banning the patenting of business methods. *Id.* at \_\_\_ (Stevens, J., dissenting). See also John R. Thomas, *The Patenting of the Liberal Professions*, 40 **B.C. L. Rev.** 1139 (1999); Peter S. Menell, *Forty Years of Wandering in the Wilderness and No Closer to the Promised Land: Bilski's Superficial Textualism and the Missed Opportunity to Return Patent Law to Its Technology Mooring*, 63 **Stan. L. Rev.** 1289 (2011).

there are in fact real inventions in the software space that need patent protection.<sup>105</sup> And the line-drawing problems mentioned above mean that any effort to define a class of software exempt from patenting is doomed to be enmeshed in endless self-serving disputes over whether a particular invention is or isn't software.<sup>106</sup> Indeed, it may take us back to the bad old days of software patents that pretended to be something else. In any event, with hundreds of thousands of software patents issued over the past 25 years, it seems impractical to think Congress will simply ban software patents (though recent case law on patentable subject matter may have a similar effect; more on that below).<sup>107</sup>

## 2. Weeding Out Bad Patents

Others have suggested that we can solve the problem by weeding out bad software patents, often by beefing up examination at the PTO, but sometimes by changing the legal standards so that courts are more likely to find a software patent invalid as obvious.<sup>108</sup> There is

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<sup>105</sup> Burk & Lemley, **Patent Crisis**, *supra* note \_\_, at \_\_. See also Jaffe & Lerner, *supra* note \_\_, at \_\_ (arguing against industry-specific patent rules).

<sup>106</sup> Burk & Lemley, **Patent Crisis**, *supra* note \_\_, at \_\_; John F. Duffy, *Rules and Standards at the Forefront of Patentability*, 51 **Wm. & Mary L. Rev.** 609, 614 (2009) (when it comes to patentable subject matter, "rules always fail"). Others have identified the particular difficulties courts and commentators have had in defining software patents. See, e.g., Reinier B. Bakels, *Are Software Patents Something Special?*, in **Biotechnology and Software Patent Law: A Comparative Review of New Developments** 131 (Emanuela Arezzo & Gustavo Ghidini eds. 2011). To consider just one example of the line-drawing problem, take the Toyota Prius. Its hybrid gasoline-electric engine works because the car has a sophisticated controller that decides when to draw power from the gasoline engine and when from the battery. That controller is a piece of software. Is the hybrid car engine a "software patent"? But see John M. Golden, *Patentable Subject Matter and Institutional Choice*, 89 **Tex. L. Rev.** 1041 (2011) (arguing for vesting significant power to limit patentable subject matter with the PTO).

<sup>107</sup> See *infra* notes \_\_-\_\_ and accompanying text.

<sup>108</sup> See, e.g., Bessen & Meurer, **Patent Failure**, *supra* note \_\_, at 26 (arguing for higher obviousness standards to reduce the flood of patents); Adam B. Jaffe & Josh Lerner, **Innovation and Its Discontents: How Our Broken Patent System Is Endangering Innovation and Progress, and What To Do About It** 170-182 (2004) (arguing for efforts to improve patent quality); Julie E. Cohen, *Reverse Engineering and*



no question that there are bad software patents out there, and invalidating them is a social good.<sup>109</sup> But as I have argued elsewhere, it is not clear that we want to spend the money it would take to weed out every bad patent at the PTO, because most of those patents have no ill effects.<sup>110</sup>

More important, while we could likely do better at weeding out bad patents in court, doing so would likely come at a cost, both in terms of legal fees and court time and in increasing

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*the Rise of Electronic Vigilantism: Intellectual Property Implications of “Lock-Out” Technologies*, 68 **S. Cal. L. Rev.** 1091, 1179 (1995); Simson L. Garfinkel, *Patently Absurd*, **Wired**, July 1994, at 104; Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 **Berkeley Tech. L.J.** 577, 589-90 (1999) (discussing the inadequacies of prior art searches in software); Andrew Nieh, *Software Wars: The Patent Menace*, 55 **N.Y. L. Sch. L. Rev.** 295 (2010/2011). One commentator has described this approach as saying, not that software patents are bad, but that “bad software patents are bad.” United States Patent and Trademark Office, Public Hearing on Use of the Patent System to Protect Software-Related Inventions 56 (Jan. 26 & 27, 1994) (statement of Ron Laurie).

<sup>109</sup> One study finds that at least 27% of all patents would be invalid if litigated. Shawn P. Miller, *Where’s the Innovation? An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents* (working paper 2012). In fact that probably understates the problem. Nearly half of those patents actually litigated are held invalid. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 **AIPLA Q.J.** 185 (1998). And while some have suggested that the high invalidity rate is a function of litigation selection effects, see George L. Priest & Benjamin Klein, *The Selection of Disputes for Litigation* 13 **J. Legal Stud.** 1, 5 (1984), that argument is both theoretically unconvincing and empirically untrue in patent law. On the theory, see Steven Shavell, *Any Frequency of Plaintiff Victory at Trial is Possible*, 25 **J. Legal Stud.** 493 (1996); Daniel Kessler et al., *Explaining Deviations from the Fifty-Percent Rule: A Multimodal Approach to the Selection of Cases for Litigation*, 25 **J. Legal Stud.** 233 (1996); Jason Rantanen, *Any Frequency of Patentee Victory on an Issue is Possible* (working paper 2012). As for evidence, see Mark A. Lemley, *The Fractioning of Patent Law* (working paper 2012), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1895681](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1895681) (“every empirical study of patent law refutes it; each shows systematic variation from a 50% win rate”).

For arguments that litigants have insufficient incentive to challenge bad patents, since invalidation of a patent benefits their competitors as well as themselves, see Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 **Berkeley Tech. L.J.** 943 (2004); Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards For Defeating Patents*, 19 **Berkeley Tech. L.J.** 667 (2004); John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 **U. Ill. L. Rev.** 305, 306 & n.2.

<sup>110</sup> Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 **Nw. U. L. Rev.** 1495 (2001). For a discussion of how the PTO might better target its resources on important patents, see Mark A. Lemley, *Fixing the Patent Office*, in **Innovation Policy and the Economy** (NBER forthcoming 2012).

the risk of wrongly invalidating legitimate patents.<sup>111</sup> In any event, weeding out bad patents in court would alleviate only some of the problems with software patents. While we wouldn't need to worry about erroneous injunctions or damage awards, companies would still face thousands of patents of uncertain validity and the need to pay millions of dollars in legal fees to invalidate each asserted patent.<sup>112</sup> And the software patents arms race has developed to such an extent that weeding out 50%, or even 90%, of software patents might still leave a significant thicket of broad patents with which innovators must contend. Smartphone companies, for instance, would likely take little solace in being told that they need only clear rights for 25,000 essential patents, not 250,000.

### 3. An Independent Invention Defense

Another possibility is to change the rule that independent invention is not a defense to patent infringement. Unlike copyright and trade secret law, patent rights are enforceable against anyone who makes a product incorporating the patented invention, whether or not they got the idea from the patentee.<sup>113</sup> A number of scholars have proposed changing this rule.<sup>114</sup> Eliminating cases filed against independent inventors would have a major effect on the patent system, because evidence suggests that independent inventors represent roughly 90%

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<sup>111</sup> For an argument that most efforts to improve patent quality are likely to be ineffective or even counterproductive, see R. Polk Wagner, *Understanding Patent Quality Mechanisms*, 157 **U. Pa. L. Rev.** 2135 (2009).

<sup>112</sup> AIPLA, **Report of the Economic Survey 2011** 35 (reporting that a high-stakes patent case costs a median of \$3 million per side in legal fees if it settles after discovery and \$5 million if the case goes to trial).

<sup>113</sup> See Mark A. Lemley, *Should Patent Infringement Require Proof of Copying?*, 105 **Mich. L. Rev.** 1525 (2007).

<sup>114</sup> See, e.g., Samson Vermont, *Independent Invention as a Defense to Patent Infringement*, 105 **Mich. L. Rev.** 475 (2006); Samson Vermont, *The Angel Is In the Big Picture*, 105 **Mich. L. Rev.** 1537 (2007); Carl Shapiro, *Prior User Rights*, **Am. Econ. Rev.**, May 2006, at 92, 95.

of those sued for patent infringement today.<sup>115</sup> And it would have a particular effect on patent trolls, because they do not make products that can be copied in the marketplace and rarely engage in actual transfer of technology to product-producing companies.<sup>116</sup> But an independent invention defense works best if the patents in question are technical, so that it is easy for a court to tell whether the accused infringer had a research trail that led to her developing the same idea independently. It will be much harder to tell whether functional claims are copied. For example, suppose Apple sues Samsung for implementing “swipe-to-unlock” functionality on its smartphones.<sup>117</sup> If the patent claim covers a particular algorithm, it should be straightforward to find out whether Samsung actually implemented that algorithm and, if so, what the process of developing it looked like.<sup>118</sup> But if the patent claim covers the concept itself, figuring out whether someone at Samsung had the same basic idea or instead learned it by observing Apple’s phone will be much harder. So whether or not an independent invention defense is a good idea in general,<sup>119</sup> it is hard to implement in a world of functional software claims.

#### 4. Defining the Scope of Software Patents

Still others, including Bessen and Meurer, have suggested that the problem is the vagueness in the boundaries of software patents. They argue that if we were clearer in

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<sup>115</sup> Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 **N.C. L. Rev.** 1421 (2009).

<sup>116</sup> For an argument that patentees should have to practice their products to be entitled to enforce them, see, e.g., Ted Sichelman, *Commercializing Patents*, 62 **Stan. L. Rev.** 341 (2010); Christopher A. Cotropia, *The Folly of Early Filing in Patent Law*, 61 **Hastings L.J.** 65 (2009).

<sup>117</sup> It has. See *Apple v. Samsung*, (N.D. Cal. 2012).

<sup>118</sup> See Vermont, *Independent Invention*, *supra*, note \_\_\_, at \_\_\_ (arguing that courts are good at resolving such disputes).

<sup>119</sup> I’ve expressed some concerns elsewhere. Lemley, *Should Patent Infringement*, *supra* note \_\_\_.

indicating what software patents actually covered, people would be able to tell in advance which patents they needed to license.<sup>120</sup> As Bessen and Meurer put it, “if you can’t tell the boundaries, then it ain’t property.”<sup>121</sup> They argue for a combination of limits on late claiming through patent “continuations” and a more robust effort to invalidate patents for “indefiniteness.”<sup>122</sup>

Bessen & Meurer are surely correct that patents suffer from notice and boundary problems, and that software patents suffer more than most. They are also right to say that software patents are fundamentally unlike real property because the boundary disputes are so prevalent.<sup>123</sup> But it is unrealistic to think that we can somehow give software patents clear boundaries and make IP “like” real property. The problems are too fundamental.<sup>124</sup> They include:

- the process of peripheral claiming – trying to define a group of things (both known and as yet unknown) in words.<sup>125</sup>

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<sup>120</sup> Bessen & Meurer, **Patent Failure**, *supra* note \_\_, at \_\_.

<sup>121</sup> *Id.* at 46. See also Peter S. Menell & Michael J. Meurer, *Notice Failure and Notice Externalities* (working paper 2012), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1973171](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1973171).

<sup>122</sup> *Id.* at \_\_. On continuations and their problems, see Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 **B.U. L. Rev.** 63 (2004). On definiteness, governed by 35 U.S.C. § 112(b), see Bessen & Meurer, **Patent Failure**, *supra* note \_\_, at 235-42.

<sup>123</sup> For an explanation of why patents are not “property” in any meaningful sense, see Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 **Tex. L. Rev.** 1031 (2005).

<sup>124</sup> See Emily Michiko Morris, *Res or Rules? Patents and the (Uncertain) Rules of the Game*, 18 **Mich. Telecomm. & Tech. L. Rev.** 481 (2012).

<sup>125</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002) (“This conversion of machine to words allows for unintended idea gaps which cannot be satisfactorily filled. Often the invention is novel and words do not exist to describe it. The dictionary does not always keep abreast of the inventor. It cannot. Things are not made for the sake of words, but words for things.”). For discussion of the inherent indeterminacy of this process, see Lefstin, *supra* note \_\_; Burk & Lemley, *Fence Posts*, *supra* note \_\_.

- the process of claim construction, in which lawyers take words that have been substituted for technological concepts and replace them with other, theoretically clearer words.<sup>126</sup>
- the four-year average delay in issuing a patent;<sup>127</sup> imagine being unable to know for several years whether you were building on land you owned or not.
- the practice of continuation applications, which permit applicants to add to or change the scope of their claims at any time during the twenty-year patent term.<sup>128</sup>
- the sheer number of patent rights covering software. Real property lawyers tend to deal with boundary disputes between two or three parties. In an extreme case someone who wants to acquire a large parcel of land may have to deal with dozens of different landholders. They don't have to deal with 250,000 patents owned by perhaps a thousand different entities.<sup>129</sup>

Bessen and Meurer offer a number of useful suggestions to deal at the margins with some of the uncertainties of software patents.<sup>130</sup> But at the end of the day, the problem is that there are simply too many patents owned by too many people that claim to be essential to

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<sup>126</sup> Burk & Lemley, *Fence Posts*, *supra* note \_\_\_\_.

<sup>127</sup> Dennis Crouch, *Total Patent Application Pendency*, <http://www.patentlyo.com/patent/2012/03/total-patent-application-pendency.html>. The number has increased over the past fifteen years; in 1998 the average delay was 2.77 years. Mark A. Lemley, *Who's Patenting What? An Empirical Exploration of Patent Prosecution*, 53 *Vand. L. Rev.* 2099 (2000).

<sup>128</sup> Lemley & Moore, *supra* note \_\_\_\_.

<sup>129</sup> Indeed, Mulligan and Lee estimate that there are "24 billion new [software] patent-firm pairs each year that could produce accidental infringement," and that to hire a lawyer to spend even 10 minutes reviewing each patent for infringement would require two million lawyers working full time on clearing software patent rights. Christina Mulligan & Timothy B. Lee, *Scaling the Patent System* (working paper 2012), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2016968](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2016968).

<sup>130</sup> For a more systematic approach to improving notice, while recognizing that some uncertainty is inevitable, see Harry Surden, *Efficient Uncertainty in Patent Interpretation*, 68 *Wash. & Lee L. Rev.* 1737 (2011).

practicing modern computer technology. If there are too many patent rights that are too broad, making their boundaries clearer will only show us the magnitude of the problem we face; it won't solve that problem for us.

#### **IV. Functional Claiming and the Software Patent Thicket**

None of the ideas I discussed in the last part are likely to solve the problems we face software patents. Some of the ideas are unrealistic, some come with unintended consequences, and all of them ignore a key element of the problem: the fact that we allow patentees to claim functions, not implementations. It is broad functional claiming that leads to assertions that every part of a complex technology product is patented, often by many different people at the same time. It is broad functional claiming that puts stars in the eyes of patent plaintiffs, who can demand huge royalties on the theory that there simply is no other way to implement the technology they have patented. And it is broad functional claiming that makes most of the resulting patents invalid, since even if ten programmers developed ten different algorithms to solve a problem only one of them could be the first to solve the problem at all.

In this section, I explain how a simple application of existing legal doctrine can end broad functional claiming of software. I also address objections and complications to treating functional software claims like other types of functional patent claims.

##### **A. Taking Section 112(f) Seriously**

Fortunately, there is no need to rewrite the patent law or retroactively invalidate tens of thousands of software patents in order to address the problem of functional claiming. All we need to do is take seriously the law already on the books.

While we refer to functional claiming under section 112(f) as “means-plus-function” claiming, after a common language format, what the statute actually says is instructive:

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

The question in applying section 112(f), then, is not whether the language is written in the form “means for doing x.” It is whether a particular claim element is expressed “as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof.” If so, the second phrase of section 112(f) applies and the claim is to be construed by reference to the specification.

The Federal Circuit has said that use of the term “means” creates a presumption that a claim element is a means-plus-function element to which section 112(f) applies.<sup>131</sup> But the presumption can be rebutted either by evidence that the element in question isn’t functional<sup>132</sup> or that the claim element contains a sufficiently “definite structure” to avoid invoking the statute.<sup>133</sup> At least in theory, then, deciding whether to turn to the specification to limit an allegedly means-plus-function claim element requires some inquiry into the claim language and

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<sup>131</sup> See, e.g., *York Prods., Inc. v. Central Tractor Farm & Family Center*, 99 F.3d 1568 (Fed. Cir. 1996).

<sup>132</sup> See, e.g., *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1302 (Fed. Cir. 1999) (“a claim element that uses the word ‘means’ but recites no function corresponding to the means does not invoke” section 112(f)).

<sup>133</sup> *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531 (Fed. Cir. 1996).

whether it would be understood by scientists in the field to recite known structure.<sup>134</sup> If it does, the structure itself is a limitation, and there is no need to turn to the patent specification to find that limitation.<sup>135</sup>

In practice, however, the software cases draw a pretty formalistic line between claims that use the “means for doing x” language and those that don’t.<sup>136</sup> On the one hand, when software patents are actually written using “means for doing x” language, the Federal Circuit has been quite strict about requiring evidence of real computer programming in the specification. Software patents that use means-plus-function language but do not detail actual algorithms implementing those functional steps are invalid for indefiniteness.<sup>137</sup> But take exactly the same functional claim language, and replace individual “means for doing x” steps

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<sup>134</sup> *Watts v. XL Sys.*, 232 F.3d 877, 880-81 (Fed. Cir. 2000).

<sup>135</sup> That inquiry can be difficult. *Compare* *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531 (Fed. Cir. 1996) (concluding that “perforation means for tearing” was not a means-plus-function limitation because perforations were the structure for accomplishing the tearing function) *with* *Unidynamics Corp. v. Automatic Prods. Int’l*, 157 F.3d 1311 (Fed. Cir. 1998) (“spring means tending to keep the door closed” was a means-plus-function limitation because the term “spring” was part of the function, not itself a definite structure).

<sup>136</sup> For criticism that the Federal Circuit takes an excessively formalist view in its jurisprudence, preferring bright lines to more flexible standards, see, e.g., Burk & Lemley, **Patent Crisis**, *supra* note \_\_, at \_\_; Timothy R. Holbrook, *The Supreme Court’s Complicity in Federal Circuit Formalism*, 20 **Santa Clara Computer & High Tech. L.J.** 1, 9-10 (2003); Lucas S. Osborn, *Instrumentalism at the Federal Circuit*, 56 **St. Louis U. L. Rev.** 419 (2012); Peter Lee, *Patent Law and the Two Cultures*, 120 **Yale L.J.** 2 (2010); See Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 **Colum. L. Rev.** 1035, 1102-22 (2003); John R. Thomas, *Formalism at the Federal Circuit*, 52 **Am. U. L. Rev.** 771 (2003).

<sup>137</sup> See, e.g., *Aristocrat Techs. Australia v. International Game Tech.*, 521 F.3d 1328 (Fed. Cir. 2008); *Ergo Licensing, LLC v. Carefusion* 303, \_\_ F.3d \_\_ (Fed. Cir. Mar. 26, 2012); *HTC Corp. v. IPCom GmbH*, \_\_ F.3d \_\_ (Fed. Cir. Jan. 30, 2012); *In re Aoyama*, 656 F.3d 1293 (Fed. Cir. 2011); see also *Noah Sys. v. Intuit Inc.*, \_\_ F.3d \_\_ (Fed. Cir. Apr. 9, 2012) (where a means-plus-function claim element claims two functions, the specification must disclose algorithms implementing both functions). *Cf.* *Typhoon Touch Techs. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011) (algorithm necessary to serve as structure of a means-plus-function software claim element need not be detailed or written in the form of computer code). *HTC* is particularly notable, because the court went out of its way to indicate that the absence of an algorithm was a problem even though the issue had not been raised by the parties and was accordingly waived.



with a generic reference to a general-purpose computer “programmed to” achieve those same steps, as in the claims detailed in Part II, and the Federal Circuit no longer treats the claim as a means-plus-function claim and accordingly puts no limit on the functional nature of the claim. In short, current cases treat “a computer” (or equivalents like “a processor connected to a memory”) as a structural definition of the software invention.

This distinction ignores the realities of modern computer technology. Software patents by definition require implementation in a computer. Indeed, the Federal Circuit has recognized in other contexts that a computer is implicit in a software patent even if it appears nowhere in the claims.<sup>138</sup> Adding a term that is both necessary for any possible implementation of the function and so general as to impose no limit on the scope of the claim does not fit with the purpose of section 112(f). The goal of section 112(f) was to limit functional claiming by tying it to particular structure disclosed in the specification. If patentees can simply add “structure” in the form of inherently necessary technology, the purpose of that section is lost. It is as though the patentee had added the phrase “man-made” to a patent claiming “means for flying” and pointed to that as a structural limitation sufficient to take his invention outside the scope of functional claiming.

The “structure, material or acts” that must support a claim in functional language must be more than mere window-dressing. The intent of this statute was to allow functional claiming only when it was limited to particular implementations of that function, not when it encompassed all feasible ways of achieving the goal.

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<sup>138</sup> *Robotic Vision Sys., Inc. v. View Eng’g, Inc.*, 112 F.3d 1163 (Fed. Cir. 1997) (best mode); *In re Dossel*, 115 F.3d 942 (Fed. Cir. 1997) (written description).

Fortunately, the solution to the problem is correspondingly simple: we must take seriously the dictate of section 112(f). If we limit patent claims that purport to cover functions to the actual structure, material, or acts the patentee built or described, the result will be that software patents will cover, not every possible way of implementing a goal, but the way the patentee actually implemented the goal “and equivalents thereof.” And in computer software, the “structure” or “acts” that perform the function are not simply “a computer” but “a computer programmed in a particular way.” Specifically, as recent Federal Circuit indefiniteness cases have shown, patentees will have to disclose the algorithms they use to achieve particular ends, and the patent will be limited to those algorithms and equivalents thereof. This will leave room for later entrants to design around the patent and develop different algorithms to achieve the same result.<sup>139</sup>

We don’t need to change the statute to achieve this result. We don’t even need to overrule existing cases. We just need to take seriously law that is on the books but doesn’t seem to get applied in practice. The Federal Circuit or the Supreme Court could, with one fell swoop, do away with most of the problem of overclaiming in software patents – and with it, most of the problems with software patents. All it needs to do is to take the statute at face

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<sup>139</sup> Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 36 (1997) (contrasting “the intentional copyist making minor changes to lower the risk of legal action” with “the incremental innovator designing around the claims, yet seeking to capture as much as is permissible of the patented advance”); see also Slimfold Mfg. Co. v. Kinthead Indus., Inc., 932 F.2d 1453, 1457 (Fed. Cir. 1991) (Rich, J.) (“Designing around patents is, in fact, one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose.”); State Indus. v. A.O. Smith Corp., 751 F.2d 1226, 1236 (Fed. Cir. 1985) (“One of the benefits of a patent system is its so-called ‘negative incentive’ to ‘design around’ a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace.”); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 **Harv. J.L. & Tech.** 1, 40-41 (2000) (“The practice of designing-around extant patents creates viable substitutes and advances, resulting in competition among patented technologies. The public clearly benefits from such activity.”); Matthew J. Conigliaro et al., *Foreseeability in Patent Law*, 16 **Berkeley Tech. L.J.** 1045 (2001).

value and limit functional claims to the particular way the patentee implemented that function. In the software world, the way an inventor implements a function is not with “a computer” or “a processor,” but with a particular computer program. The patent claim should accordingly be limited to that particular computer program and ones that work in the same way to achieve the same result.<sup>140</sup>

The fact that we don’t need to change the statute to achieve this result has an important benefit. While changes to statutes generally operate prospectively, new court interpretations of existing statutes are normally retroactive.<sup>141</sup> The idea is that the law hasn’t changed; we simply understand it better. Retroactivity is key to solving the software patent thicket; it wouldn’t do much good to say we that patents issued four years from now will be narrower if we are stuck with hundreds of thousands of overbroad patents in force for the next two decades.<sup>142</sup>

## B. Objections

In this section I consider two sets of objections, one rooted in asking whether such a change will really accomplish very much, and the other asking whether it will unfairly disadvantage inventors of software patents.

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<sup>140</sup> See Randall M. Whitmeyer, Comment, *A Plea for Due Process: Defining the Proper Scope of Patent Protection for Computer Software*, 85 *Nw. U. L. Rev.* 1103, 1106 (1991) (“in the computer software context only narrow algorithms, as the term is understood by computer scientists, should be patentable.”); Burk & Lemley, *Patent Crisis*, *supra* note \_\_\_, chs. 8, 11 (arguing that software patents should be narrow to allow for cumulative innovation).

<sup>141</sup> See, e.g., David L. Schwartz, *Retroactivity in Patent Law* (working paper 2012), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1945554](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1945554) (noting this fact, albeit deploring it).

<sup>142</sup> Some have argued that any effort to narrow patent rights is a taking under the Fifth Amendment. See, e.g., J. Nicholas Bunch, *Takings, Judicial Takings, and Patent Law*, 83 *Texas L. Rev.* 1747, 1762 (2005). Even if that were true if the law was changed to eliminate patent rights, it surely is not true of a court decision that actually applies a statute that has been on the books for sixty years.

## 1. Will It Work?

Some might question whether taking section 112(f) seriously as a solution to the problem of software patents will limit software patents sufficiently. There are two components to this worry. First, courts might treat software claims implemented in general-purpose computers as means-plus-function claims but still not limit those claims to an algorithm or other detailed invention structure. The Federal Circuit record on this point is mixed. For software claims the court recognizes as invoking section 112(f), most decisions have required that the patent specification disclose an algorithm for performing the specified function.<sup>143</sup> But on occasion the Federal Circuit has been more lenient to patentees, permitting them to satisfy the “particular and definite structure” with fairly general language rather than a specific implementation.<sup>144</sup> Indeed, in one recent case the court went out of its way to find that the phrase “system memory means” was a means-plus-function claim element because it lacked a “specific and definite structure,” only to find that the structure disclosed in the patent that corresponded to this claim was . . . wait for it . . . “a system memory.”<sup>145</sup> An interpretation of section 112(f) that does nothing more than replace the broad functional language of the claim

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<sup>143</sup> Aristocrat Techs. Australia v. International Game Tech., 521 F.3d 1328 (Fed. Cir. 2008); Ergo Licensing, LLC v. Carefusion 303, \_\_ F.3d \_\_ (Fed. Cir. Mar. 26, 2012); HTC Corp. v. IPCOM GmbH, \_\_ F.3d \_\_ (Fed. Cir. Jan. 30, 2012); In re Aoyama, 656 F.3d 1293 (Fed. Cir. 2011); *see also* Noah Sys. v. Intuit Inc., \_\_ F.3d \_\_ (Fed. Cir. Apr. 9, 2012) (where a means-plus-function claim element claims two functions, the specification must disclose algorithms implementing both functions).

<sup>144</sup> *See* Typhoon Touch Techs. v. Dell, Inc., 659 F.3d 1376 (Fed. Cir. 2011) (algorithm necessary to serve as structure of a means-plus-function software claim element need not be detailed or written in the form of computer code); In re Katz Interactive Call Processing Litig., 639 F.3d 1303 (Fed. Cir. 2011).

<sup>145</sup> Chicago Board Option Exchange v. International Securities Exchange, \_\_ F.3d \_\_ (Fed. Cir. 2012). *But see* Ergo Licensing LLC v. Carefusion 303, Inc., 673 F.3d 1361, 1363-64 (Fed. Cir. 2012) (“The recitation of “control device” provides no more structure than the term “control means” itself, rather it merely replaces the word “means” with the generic term “device.””).

with identical broad functional language from the specification renders that statute worthless.<sup>146</sup>

Fortunately, the majority of decisions from the Federal Circuit have not taken such a feckless approach. While the court does not necessarily require the disclosure of actual computer code to support the functional steps of a software claim,<sup>147</sup> it has tended to limit those claims to particular actual implementations of the idea, not to generic recitations of the functions the program performs. The majority's narrower approach is consistent with the Supreme Court's approach to the question in *Halliburton*. Contrast the breadth of treating "system memory" as the relevant structure with the holding in *Halliburton*. The Court there wanted evidence of how the device that performed the function was actually constructed and how it connected with the rest of the invention:

Walker, in some of his claims, e.g., claims 2 and 3, does describe the tuned acoustical pipe as an integral part of his invention, showing its structure, its working arrangement in the alleged new combination, and the manner of its connection with the other parts. But no one of the claims on which this judgment rests has even suggested the physical structure of the acoustical resonator. No one of these claims describes the physical relation of the Walker addition to the old Lehr and Wyatt machine. No one of these claims describes the manner in which the Walker addition will operate together with the old Lehr and Wyatt machine so as to make the 'new' unitary apparatus perform its designed function. Thus the claims failed adequately to depict the structure, mode, and operation of the parts in combination.<sup>148</sup>

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<sup>146</sup> To be clear, a "system memory" may have a sufficiently clear meaning – and be sufficiently peripheral to the claim – that there is no real value to limiting the patentee to particular types of memories. But it is important not to apply a similar generic approach to the novel algorithmic steps of the patent. See Mark A. Lemley, *Point of Novelty*, 105 **Nw. U. L. Rev.** 1253 (2011).

<sup>147</sup> *Typhoon Touch*, 659 F.3d at \_\_\_.

<sup>148</sup> *Halliburton*, 326 U.S. at 8. In the 1952 Act, Congress did not expressly overrule *Halliburton*, but rather said it was superseded by the new rules in section 112(f).

For section 112(f) to serve as a real limit on functional claiming of software, courts must resist the temptation to permit broad generic recitations of structure in a means-plus-function claim, at least at the point of novelty, and return instead to the animating idea behind the statutory limitation on functional claiming.

The second worry stems from the “and equivalents thereof” language of section 112(f). Because means-plus-function claims are not limited strictly to the structure disclosed in the specification but can encompass equivalent structures, patentees will have an incentive to argue that all forms of computer implementation of an idea are “equivalent” and so are covered within the literal bounds of the patent claim. Obviously they are equivalent in function; the functions must be identical for literal infringement under section 112(f). So the question is whether patentees can persuade courts to equate different algorithmic approaches to solving the problem. If patentees can recapture the all possible means of performing the function in this way, they will be able to avoid any limitation imposed by the structure and effectively own a functional claim.

I am less concerned that equivalents will allow such recapture, for two reasons. First, there is an important difference between equivalents under the doctrine of equivalents and equivalents under section 112(f). Section 112(f) equivalents do not apply to later-developed structures, but only to equivalents known at the time the patent issued.<sup>149</sup> Because software

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<sup>149</sup> See, e.g., *Al-Site Corp. v. VSI Int’l*, 174 F.3d 1308 (Fed. Cir. 1999) (“An equivalent structure or act under § 112 cannot embrace technology developed after the issuance of the patent because *the literal meaning of a claim is fixed upon its issuance.*”); *Chiuminatta Concrete Concepts v. Cardinal Indus. Inc.*, 145 F.3d 1303, 1310 (Fed. Cir. 1998). For a discussion of this timing question, see Mark A. Lemley, *The Changing Meaning of Patent Claim Terms*, 104 **Mich. L. Rev.** 101 (2005). By contrast, the doctrine of equivalents can encompass equivalent *functions* as opposed to structures. See *WMS Gaming, Inc. v. International Game Tech.*, 184 F.3d 1339 (Fed. Cir. 1999).

changes so quickly, most litigated software patents today are asserted against technologies that did not exist at the time of patenting.<sup>150</sup> This is especially true of troll patents, which tend to be asserted in the last few years of patent life.<sup>151</sup> Once those patents are understood to invoke section 112(f), their literal scope will be limited to the technology the patentee actually designed and equivalents known at the time the patent issued.<sup>152</sup>

It is true that section 112(f) equivalence is treated as literal infringement, raising the possibility that there could be an “equivalent to the equivalent” under the traditional “doctrine of equivalents.”<sup>153</sup> But courts have not read the doctrine of equivalents broadly in the last fifteen years, to such an extent that the ordinary doctrine of equivalents has diminished to near the vanishing point.<sup>154</sup> While in part that results from judicial limits on the doctrine of equivalents that do not apply as readily to section 112(f) equivalents,<sup>155</sup> some important limits,

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<sup>150</sup> Cohen & Lemley, *supra* note \_\_ (making this point).

<sup>151</sup> See Brian J. Love, *An Empirical Study of Patent Litigation Timing: Could a Patent Term Reduction Decimate Trolls Without Harming Innovators?*, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1917709](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1917709)

<sup>152</sup> That won’t solve the problem entirely, because some patentees will use the ability to file an unlimited number of continuation applications to delay issuance of a patent until years after invention. See, e.g., Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 **B.U. L. Rev.** 63 (2004). And for purposes of section 112(f) it is the day the patent issues, not the day it is filed, that is relevant for determining the range of equivalents. See Lemley, *Changing Meaning*, *supra* note \_\_. An effort by the PTO to put some limits on the scope of continuations was challenged in court and ultimately withdrawn in 2009. *Tafas v. Kappos*, 583 F.3d 1369 (Fed. Cir. 2009) (en banc).

<sup>153</sup> No, really, that’s the rule. Ain’t patent law grand?

<sup>154</sup> See, e.g., John R. Allison & Mark A. Lemley, *The (Unnoticed) Demise of the Doctrine of Equivalents*, 59 **Stan. L. Rev.** 955 (2007); Lee Petherbridge, *On the Decline of the Doctrine of Equivalents*, 31 **Cardozo L. Rev.** 1371 (2010); David L. Schwartz *Explaining the Demise of the Doctrine of Equivalents*, 26 **Berkeley Tech. L.J.** 1157 (2011). For debates over whether the demise of the doctrine of equivalents is good or bad, compare Michael J. Meurer & Craig Allen Nard, *Invention, Refinement, and Patent Scope: A New Perspective on the Doctrine of Equivalents*, 93 **Geo. L.J.** 1947 (2005) with Doug Lichtman, *Substitutes for the Doctrine of Equivalents: A Response to Meurer and Nard*, 93 **Geo. L.J.** 2013 (2005). For a discussion specific to software and later-developed technology, see Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 **Calif. L. Rev.** 1 (2001).

<sup>155</sup> For instance, the doctrines of prosecution history estoppel and dedication to the public domain are based on changes in the scope of the patent claim during prosecution. See, e.g., *Warner-Jenkinson v.*

such as the rule against expanding the patent to cover the prior art, will apply to means-plus-function claims as well as to the normal doctrine of equivalents.<sup>156</sup> In any event, the Federal Circuit is not inclined to read equivalents claims broadly, because doing so undermines whatever notice function claims serve and makes it harder to resolve legal questions without a jury trial.<sup>157</sup> It has avoided applying other doctrines that give similar flexibility to the doctrine of equivalents, such as the reverse doctrine of equivalents<sup>158</sup> and the pioneer patents rule.<sup>159</sup> As a

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Hilton Davis Chem. Co., 520 U.S. 17 (1997); Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722 (2002); Johnson & Johnston Assocs. v. R.E. Serv. Co., 285 F.3d 1046 (Fed. Cir. 2002) (en banc). Because the technology disclosed in the specification doesn't change, those doctrines generally will not limit section 112(f) structural equivalents.

<sup>156</sup> Wilson Sporting Goods Co. v. David Geoffrey & Assoc., 904 F.2d 677 (Fed. Cir. 1990). Prosecution history estoppel too will still have some application to section 112(f) equivalents, because an applicant can estop themselves from claiming new ground on the basis of arguments to the PTO as well as claim changes. See, e.g., Pharmacia & Upjohn Co. v. Mylan Pharm., Inc., 170 F.3d 1373, 1376-66 (Fed. Cir. 1999) ("The doctrine of prosecution history estoppels limits the doctrine of equivalents when an applicant . . . clearly and unmistakably surrenders subject matter by arguments made to an examiner); Aquatex Indus., Inc. v. Techniche Solutions, 419 F.3d 1374, 1382 (Fed. Cir. 2005).

<sup>157</sup> See, e.g., Sage Prods., Inc. v. Devon Indus., Inc., 126 F.3d 1470 (Fed. Cir. 1997). The Federal Circuit has shown a strong preference for rules over standards in patent law in general. See, e.g., Peter Lee, *Patent Law and the Two Cultures*, 120 **Yale L.J.** 2 (2010); Craig Allan Nard, *Legal Forms and the Common Law of Patents*, 90 **B.U. L. Rev.** 51 (2010); John F. Duffy, *Rules and Standards on the Forefront of Patentability*, 51 **Wm. & Mary L. Rev.** 609, 611 (2009); Timothy R. Holbrook, *The Supreme Court's Complicity in Federal Circuit Formalism*, 20 **Santa Clara Computer & High Tech. L.J.** 1, 2 (2003); John R. Thomas, *Formalism at the Federal Circuit*, 52 **Am. U. L. Rev.** 771, 792 (2003); Lucas S. Osborn, *Instrumentalism at the Federal Circuit*, 56 **St. Louis U. L. Rev.** 419 (2012);

<sup>158</sup> Reverse equivalents constitutes an optional component of literal claim analysis, relieving the accused infringer of liability if the accused device, despite falling within the literal scope of the claims, is so far changed in principle that it performs a different function in a different way than the equivalent structure in the patent. The classic statement of reverse equivalents comes from *Boyden Power-Brake Co. v. Westinghouse*, 170 U.S. 537 (1898). The doctrine is rarely applied, and the Federal Circuit in *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1368 (Fed. Cir. 2002), suggested that the doctrine had no continued meaning after the passage of the 1952 Patent Act. The court also (misleadingly) suggested the Federal Circuit had never applied the doctrine. Cf. *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1581 (Fed. Cir. 1991) (applying the reverse doctrine of equivalents). The Federal Circuit has since backed off from this crabbed and ahistorical reading. See *Amgen Inc. v. Hoechst Marion Roussel*, 314 F.3d 1313, 1351 (Fed. Cir. 2003) (rejecting the dictum from *Tate Access*).

<sup>159</sup> The pioneer patent rule gave patents broader scope if they were pioneering inventions. See, e.g., *Miller v. Eagle Mfg. Co.*, 151 U.S. 186, 207 (1894) ("If the invention is broad or primary in its character, the range of equivalents will be correspondingly broad, under the liberal construction which the courts



result, while the doctrine of equivalents means software patentees may sometimes get control over an entire function even under section 112(f), those cases are likely to be quite rare. On balance, limiting functional software claims to the algorithm the patentee actually developed and equivalents thereof will go a long way towards narrowing the claimed scope of those patents, assuming they actually disclose such an algorithm. And if they don't, they are (and should be) invalid under *Aristocrat*.

## 2. Do Inventors Deserve to Own Functions?

A second objection to taking section 112(f) seriously is in some sense the opposite of the first. This objection assumes that treating software patents as means-plus-function claims will in fact work, but it worries that doing so will unfairly disadvantage patentees. Software, this

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give to such inventions.”); *Perkin-Elmer Corp. v. Westinghouse Elec. Corp.*, 822 F.2d 1528, 1532 (Fed. Cir. 1987) (“A pioneer invention is entitled to a broad range of equivalents.”). The Wright brothers, for example, won their patent infringement suit against Glenn Curtis in 1914 because they were pioneering inventors, and the court accordingly afforded them broad protection even against the somewhat different Curtis plane. *Wright Co. v. Herring-Curtis Co.*, 211 F. 654, 655 (2d Cir. 1914). The Court of Customs and Patent Appeals, the predecessor to the Federal Circuit, applied the pioneer patent doctrine, see *Autogiro Co. v. United States*, 384 F.2d 391, 400 (C.C.P.A. 1967), and the Supreme Court continues to talk about patent scope under the doctrine of equivalents as a function of how pioneering the patent is. See *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 530 U.S. 17, n.4 (1997). The pioneer patent rule has not been invoked by the Federal Circuit in recent years, leading some to consider it moribund. Compare *Augustine Med., Inc. v. Gaymar Indus., Inc.*, 181 F.3d 1291, 1301 (Fed. Cir. 1999) (stating that “pioneering inventions deserve a broader range of equivalents”), with *Sun Studs, Inc. v. ATA Equip. Leasing, Inc.*, 872 F.2d 978, 987 (Fed. Cir. 1989) (holding that “the ‘pioneer’ is not a separate class of invention”), overruled on other grounds, *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992). The Federal Circuit did endorse the pioneering patent doctrine in an unpublished opinion in 2003. See *Molten Metal Equip. Innovations, Inc. v. Metallics Sys. Co.*, 56 F. App'x 475, 480 (Fed. Cir. Jan. 30 2003) (stating that pioneering invention claims “are entitled to a broad or liberal range of equivalents”). For discussion of the pioneer patent doctrine, see, e.g., John R. Thomas, *The Question Concerning Patent Law and Pioneer Inventions*, 10 **High Tech. L.J.** 35, 37 (1995) (“Courts construe pioneer patent claims . . . to encompass a broader range of so-called ‘equivalents’ during an infringement determination.”); Meurer & Nard, *supra* note \_\_, at 2002-05 (endorsing broader use of the doctrine); Brian J. Love, *Interring the Pioneer Invention Doctrine*, 90 **N.C. L. Rev.** 379 (2012) (arguing for its abolition).

argument goes, is all about the implementation of a function across machines. It shouldn't matter whether you want to run a spreadsheet on a PC, a Mac, an Android phone, or an old IBM mainframe. Each one might require a different computer implementation, but the genius of software is that those implementations are functionally equivalent; the machine is irrelevant. Thus, advocates of broad software patenting may argue that limiting them only to one particular algorithm or implementation in one particular machine unfairly restricts the scope of their patent, allowing other companies to avoid the patent while implementing an equivalent technology.<sup>160</sup>

There is something to this concern. In particular, it makes little sense to say that the implementation of the same algorithm in a different computer should be outside the scope of the patent.<sup>161</sup> And patent claims are always cast at some level of abstraction away from the precise machine the patentee built, so that they cover ideas rather than particular machines.<sup>162</sup> But when the patent seeks to cover, not the implementation of a specific algorithm across different machines, but the implementation of different algorithms that happen to achieve the same end, that patent is too broad. It does not follow that because two algorithms solve the

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<sup>160</sup> See, e.g., Robert R. Sachs, *Comments in Response to the Patent and Trademark Office's Proposed Examination Guidelines for Computer-Implemented Inventions*, 2 **Mich. Telecomm. & Tech. L. Rev.** 103 (1995-96); Note, *supra* note \_\_, at 1465-66 ("it would make no sense for software patentees to specify secondary characteristics like a programming language, operating system, or platform in their patents. These have nothing to do with the invention.").

<sup>161</sup> Note, *supra* note \_\_, at 1471 (arguing that "software patents are broad without being overclaimed."). For this reason, I have argued elsewhere that the "machine or transformation" test for patentable subject matter, which would limit software patents to those "tied to a particular machine," doesn't make sense. Mark A. Lemley et al., *Life After Bilski*, 63 **Stan. L. Rev.** 1315 (2011).

<sup>162</sup> See Dan L. Burk & Mark A. Lemley, *Quantum Patent Mechanics*, 9 **Lewis & Clark L. Rev.** 29 (2005) (noting the "levels of abstraction" problem in interpreting patent claims); Tun-Jen Chiang, *The Levels of Abstraction Problem in Patent Law*, 105 **Nw. U. L. Rev.** 1097 (2011) (same).

same problem that they are equivalent.<sup>163</sup> Thus, in part, those who argue that any invention in software is inherently an invention only at the level of the function it performs.<sup>164</sup> A moment's reflection on the history of software will reveal the flaw in that assumption. Google is a better search engine than its predecessors not because it performs a different function, but because it performs the same function in a different and better way. It is the way, not the function, that patent law is supposed to protect.

It is true that the different algorithm may compete with the patented one, preventing the patentee from excluding competition and raising prices. But so what? The vast majority of patents in all fields face some competition from other means of achieving the same end, and as a result most patents don't confer market power.<sup>165</sup> If I invent a particular blade shape for a lawn mower, patent law gives me the right to prevent competitors from making a blade in that shape.<sup>166</sup> It doesn't give me a right to control lawn mowers generally; anyone who makes a differently-shaped blade can sell it without infringing even if it performs the same function and does it just as well as the patented invention. Similarly, if I develop a cholesterol-reducing drug, I don't get to claim "atoms configured in a way that reduces human cholesterol." My patent is

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<sup>163</sup> For a technical discussion in the field of software, see Andrew Chin, *On Abstraction and Equivalence in Software Patent Doctrine: A Response to Bessen, Meurer and Klemens*, 16 *J. Intell. Prop. L.* 197 (2009).

<sup>164</sup> Note, *supra* note \_\_, at 1474.

<sup>165</sup> See, e.g., *Independent Ink, Inc. v. Illinois Tool Works*, 547 U.S. 28 (2006) (rejecting prior presumption that patents necessarily confer market power). For criticism of the equation of a patent and market power, see, e.g., 1 **Herbert Hovenkamp et al., IP and Antitrust** §4.2 (2d ed. 2010). Cf. Mark A. Lemley & Mark McKenna, *Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP*, 100 **Geo. L.J.** \_\_ (forthcoming 2012) (pointing out that a surprising number of IP rights do in fact confer power over price); Louis Kaplow, *Why (Ever) Define Markets?*, 124 **Harv. L. Rev.** 437 (2010).

<sup>166</sup> This leaves open the question of the level of generality at which the technology is protected. A patent claim that was strictly limited to exactly the device the patentee built would be too easy to evade. So patentees are entitled to prevent others from implementing the concept of the invention even if the details differ. That is why patent claims cover a genus of implementations, not just a particular species. See, e.g., Burk & Lemley, *Fence Posts*, *supra* note --; Lefstin, *supra* note \_\_. But the level of generality is never "the market" – except, that is, in software. Cf. Abramowicz & Duffy, *supra* note \_\_, at \_\_ (arguing for legal protection for market information).

limited to the drug I actually make and others like it. Even if I am the first to develop a cholesterol-lowering drug, the fact that I can't claim the function itself leaves open the possibility that others will later develop different drugs that achieve the same end.

That doesn't mean that the inventor's contribution is limited to the precise code she wrote; the invention may well make a contribution at a higher level of abstraction.<sup>167</sup> And if it does, the patent can properly capture a group of related implementations of that same idea. But if "the idea" is "solve this problem," we should be very cautious about giving a patent at that high a level of abstraction.

Patents, then, are not designed to control markets, though sometimes they do. Rather, they are designed to encourage the development of new inventions within that market by discouraging copying of the patentee's technology.<sup>168</sup> Those new inventions will often be imperfect substitutes, so patents will often confer some power over price.<sup>169</sup> But it has never been the purpose of patent law to give the patentee control over a market as opposed to a technology. Indeed, the economic evidence is pretty good that competition is itself a spur to new innovation.<sup>170</sup> The existence of a patent on one technology might spur design-arounds that lead to new inventions that compete (imperfectly) with the patented one.<sup>171</sup>

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<sup>167</sup> On levels of abstraction in patent law, see Dan L. Burk & Mark A. Lemley, *Quantum Patent Mechanics*, 9 **Lewis & Clark L. Rev.** 29 (2005).

<sup>168</sup> Yoo, *supra* note \_\_\_\_.

<sup>169</sup> Lemley & McKenna, *supra* note \_\_\_\_.

<sup>170</sup> See, e.g., Juan A. Correa & Carmine Ornaghi, *Competition and Innovation: New Evidence from US Patent and Productivity Data* (working paper 2012), available at <http://ssrn.com/abstract=1947357> (finding that, across industries, innovation is faster in more competitive markets). For a sense of the literature on this long-running economic debate, see Kenneth J. Arrow, *Economic Welfare and the Allocation of Resources for Invention*, in NAT'L BUREAU ECON. RESEARCH, THE RATE AND DIRECTION OF INVENTIVE ACTIVITY: ECONOMIC AND SOCIAL FACTORS 609, 620 (1962) (concluding that "preinvention monopoly power acts as a strong disincentive to further innovation"). See also MORTON I. KAMIEN & NANCY L. SCHWARTZ, MARKET STRUCTURE AND INNOVATION 16 (1982) (discussing various theories of

A different argument is that we shouldn't care if the standard, non-inventive elements of the invention known in the prior art are described in functional terms. If the novelty in an invention lies in the encryption algorithm used, it shouldn't matter that the processor on which the algorithm runs, or the database in which the keys are stored, are described in functional terms, because the value of the invention is the same regardless of which processor or database the user employs. As it happens, I agree with this concern; I have complained for years that we focus too much attention on the often-trivial language of the patent claims and not enough attention on the actual novel piece of the patentee's invention.<sup>172</sup> But even in the

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the effects of economic structures on the rate and form of innovation); F.M. SCHERER & DAVID ROSS, *INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE* 660 (3d ed. 1990) (criticizing Schumpeter's "less cautious" followers for advocating monopoly to promote innovation). In the specific context of IP, the canonical argument from both theory and empirical evidence is Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 *Colum. L. Rev.* 839 (1990). See also Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 *J. Legal Stud.* 247, 252 (1994) (noting that in the computer industry, for example, companies coordinate improvements by broad cross-licensing because of "the pace of research and development and the market interdependencies between inventions"). For discussions of particular industries in which competition appears to spur innovation, see, for example, Mark A. Lemley & Lawrence Lessig, *The End of End-to-End: Preserving the Architecture of the Internet in the Broadband Era*, 48 *UCLA L. Rev.* 925, 960-62 (2001) (the internet); Arti Kaur Rai, *Evolving Scientific Norms and Intellectual Property Rights: A Reply to Kieff*, 95 *Nw. U. L. Rev.* 707, 709-10 (2001) (biotechnology); Howard A. Shelanski, *Competition and Deployment of New Technology in U.S. Telecommunications*, 2000 *U. Chi. Legal F.* 85, 85 (telecommunications).

<sup>171</sup> On the economic benefits of design-arounds, see, e.g., *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 36 (1997) (contrasting "the intentional copyist making minor changes to lower the risk of legal action" with "the incremental innovator designing around the claims, yet seeking to capture as much as is permissible of the patented advance"); see also *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1457 (Fed. Cir. 1991) (Rich, J.) ("Designing around patents is, in fact, one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose."); *State Indus. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) ("One of the benefits of a patent system is its so-called 'negative incentive' to 'design around' a competitor's products, even when they are patented, thus bringing a steady flow of innovations to the marketplace."); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 *HARV. J.L. & TECH.* 1, 40-41 (2000) ("The practice of designing-around extant patents creates viable substitutes and advances, resulting in competition among patented technologies. The public clearly benefits from such activity.")

<sup>172</sup> See Dan L. Burk & Mark A. Lemley, *Fenceposts or Signposts? Rethinking Patent Claim Construction*, 157 *U. Pa. L. Rev.* 1743 (2009); Mark A. Lemley, *Point of Novelty*, 105 *Nw. U. L. Rev.* 1253 (2011).

current regime, with its hyper-technical focus on the language of the claims, section 112(f) can accommodate this concern. Standard computing elements are precisely the sort of things that ought to be written in means-plus-function language. The fact that it doesn't matter what database I use in my encryption program – that for my purposes they are all equivalent – will mean that the claim elements not located at the point of novelty will be entitled to broad construction.<sup>173</sup> It is precisely at the point of novelty that the patentee should be forbidden from substituting broad functional language for an actual implementation of the invention. I should be able to include “an analog-to-digital converter” in my claim if ADCs are well-known in the art and not the focus of my invention, but if I am the first person to have invented a way of converting data from analog to digital format I shouldn't be allowed simply to claim “an analog-to-digital converter” without any limitation as to how the invention works.

A broader objection is that software ought to be different. At least some patentees might claim that the programming didn't matter and the discovery of a new function was itself the invention. But while that may be true in some cases (though surely it is not true of most software inventions), there is good reason to think that in software in particular it is

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<sup>173</sup> In a once-common form of claim called a “Jepson claim,” patentees would identify in the preamble the existing technology and then identify their improvement in the body of the claim. *See Ex parte Jepson*, 1917 Dec. Comm'r Pat. 62, 67–68. This had the benefit of highlighting what was actually new about the patentee's invention. In a Jepson claim, the distinction could be quite clear: functional description is permissible in the preamble, because that's not what the patentee invented, but would not be permissible in the identified improvement.

Unfortunately, Jepson claiming is on the decline. While Jepson claims represented 15% of all claims thirty years ago, they are less than 1% today. Aaron R. Feigelson, *Endangered Species: The Jepson Claim*, 12:01 TUESDAY, [http://www.1201tuesday.com/1201\\_tuesday/2009/06/jepson.html](http://www.1201tuesday.com/1201_tuesday/2009/06/jepson.html) (updated June 4, 2009, 1:56 PM).

competition and not market dominance that spurs innovation.<sup>174</sup> And Part III offers us compelling reasons to believe that giving such broad functional patents in software causes major problems for the patent system. So even if we thought that as a matter of logic software patents should be different than other kinds of patents, on balance it seems a mistake to permit broad functional claiming of software. Software inventors could still claim genuses; they should not be limited to the precise code they wrote. But the patent must be limited to the actual technology the patentee developed, defined at an appropriate level of abstraction, not to the problem it addressed, however solved. If the objection is that applying section 112(f) limits patentees to the technology they actually designed or similar ones, then, the answer is: too bad. Patent law is, after all, designed to benefit society, not just the patentee.<sup>175</sup>

In fact, it may ultimately be the case that software patentees too stand to benefit from the application of section 112(f). In the last four years, the courts have begun enforcing strict limits on patentable subject matter in software cases. In *Bilski v. Kappos*, the Supreme Court held that a business method patent was unpatentable as an abstract idea because it was not sufficiently tied to a particular real-world implementation.<sup>176</sup> In the wake of that decision, most (though not all) Federal Circuit decisions to consider the patentability of software have held that software patents that merely implemented process steps in a general-purpose computer were unpatentable because the process steps alone were too abstract, and the presence of a

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<sup>174</sup> See Burk & Lemley, *Patent Crisis*, *supra* note \_\_ (arguing that free competition may best promote Internet innovation, and that narrow patents will do so in cumulative innovation industries like software).

<sup>175</sup> See, e.g., *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229-31 (1964) (“Patents are not given as favors . . . but are meant to encourage invention but rewarding the inventor . . .”); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 85 *Tex. L. Rev.* 1031 (2005); Ted Sichelman, *Purging Patent Law of “Private Law” Remedies* (working paper 2012).

<sup>176</sup> *Bilski v. Kappos*, 130 S.Ct. 3218 (2010).

general-purpose computer was insufficient to limit the claim to a particular real-world implementation.<sup>177</sup> While the law of patentable subject matter is still unsettled, the current trend may be one that would invalidate a wide swath of software patent claims, particularly functional claims of the type I consider here – not because they are too broad, or indefinite, but because they are not the sort of thing that is patentable at all.

Treating these functional software patent claims as means-plus-function claims may end up saving them from invalidation under section 101. If the patent is interpreted as a means-plus-function claim, it will be limited to the particular software implementation the patentee actually built or described. Such a narrow, specific claim should not be an unpatentable “abstract idea.”<sup>178</sup> Those narrowed patents are also less likely to be invalid on the basis of prior art, since it is far more likely that someone has described the same function before than that they have produced the same algorithm before.

Restricting functional claiming, then, may have the unexpected effect of saving many software patents from invalidation by narrowing them.<sup>179</sup> Opponents of software patents may think that a problem; they are hoping that the new patentable subject matter cases will

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<sup>177</sup> See, e.g., *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012) (all rejecting as unpatentable claims that listed functional steps implemented in a general-purpose computer). Cf. *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. Sept. 15, 2011) (holding that a method of implementing process steps using the Internet was patentable because it was likely to involve “complex computer programming”), *vacated*, \_\_\_ U.S. \_\_\_ (May 21, 2012). But see *RCT v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010) (holding claim to method of controlling computer display patentable subject matter); *CLS Bank v. Alice Pty*, \_\_\_ F.3d \_\_\_ (Fed. Cir. 2012) (following *RCT*). For discussion, see Pamela Samuelson & Jason Schultz, “Clues” for Determining Whether Business and Service Innovations Are Unpatentable Abstract Ideas, 15 **Lewis & Clark L. Rev.** 109 (2011).

<sup>178</sup> My co-authors and I have argued that elsewhere. See Lemley et al., *supra* note \_\_.

<sup>179</sup> If the claims never disclose any algorithm or other implementation, they will be invalid for indefiniteness under *Aristocrat* and its progeny. See *supra* note \_\_. But that is as it should be; a patent that doesn’t disclose any implementation of the idea, but merely the functional goal, doesn’t have at its heart a real invention.



invalidate all software patents. But I think it's a good thing. There is nothing wrong with the idea of patenting true inventions in software; the problem lies in the overclaiming we have permitted in the current system. If we can get rid of that overclaiming, we can limit software patents to what the patentees actually invented, encouraging genuine innovation without promoting patent holdup.

## **V. Conclusion**

It is time to end functional claiming (again). Allowing inventors to assert ownership over the problem they solved, rather than merely the way they solved it, is inconsistent with history, with the patent statute, and with good patent policy. It is responsible in large part for the untenable situation software patents have left us in. And while software patent owners may object that they need functional claiming to get effective protection, that objection is unpersuasive, both because of the harm functional claiming causes and because functional patent claims are likely invalid under current law.

A patent should not guarantee insulation from competition. To the contrary, properly understood, patents spur competition by preventing direct imitation while leaving open avenues for alternative development. We have forgotten that lesson in software, to our great cost. Returning to a world in which inventors own their idea, but not the ideas of others, will go a long way towards ensuring that patents encourage rather than retard software innovation.