Managing the Patent Thicket

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About Goodwin Procter

- Global law firm
  - Most of our attorneys in Boston, California, and NYC.

- Large technology companies practice
  - 160+ attorneys focused on technology clients.
  - Many Testa Hurwitz alumni.
  - Open source clients include Lucid Imagination, Acquia, Pentaho, and Black Duck Software.

Agenda

- Patent Basics

- Software Patents

- The Threat to the Community

- The Community Response

- Thinking about Patents – OSS Users

- Thinking about Patents – OSS Contributors

Patent Basics

- Right to exclude, not a right to practice.

- Territorial right.

- Strongest kind of IP protection there is.

  – Protects against second movers.

- Reaches making, using, selling, importing, offering for sale, etc.

Patent Basics (cont'd)

- Can only patent process, machine, manufacture, composition of matter, or improvement thereof.

- Can't patent laws of nature, physical phenomena, abstract ideas.

- Which category do you put software in?

Software Patents

- Software has been patentable, in one form or another, for over 40 years.
    - Patent the computer apparatus.
    - Patent the media encoding the software.
    - Patent the process of using the computer.
    - Patent the process of operating the computer.

Software Patents (cont'd)

- Zenith of patentability – State St. (1998)
  - Patent anything with a useful, concrete, tangible result.
  - Like a computer for calculating share prices.
- Law is like a pendulum.
  - Generous patent standards lead to lowered allowance rates.

Software Patents (cont'd)

- KSR v. Teleflex (2007)
  - Lowered legal standard for obviousness.
  - Harder to get a patent, harder to enforce a patent.
  - Gas pedal.

Software Patents (cont'd)

- Quanta Computer v. LG Electronics (2008)

  – Exhausting patent rights in an item exhausts rights in the combination.

  – Cuts back on ability of licensors to leverage patent monopoly by contract.

    - Or does it?

Software Patents (cont'd)

- In re Bilski (2008)

  - Federal Circuit decision, on appeal to S. Ct.

  - Final decision some time this year.

  - Process is patent-eligible if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.

Software Patents (cont'd)

- Putting it all together:
  - 1988 was the zenith, 2010 is the nadir.
  - There are a lot of patents out there now that were issued under these 1988 standards, and people will have trouble enforcing them in a 2010 environment.

The Threat to the Community

- Someone sues you, or the open source project you rely on claiming it infringes a patent.
    - June 2006 – Firestar sues Red Hat alleging patent infringement by Hibernate.
    - Oct 2007 – IP Innovation claims Linux infringes patents.
    - Jan 2008 – Trend Micro claims Barracuda distribution of ClamAV infringes.
    - March 2009 – Software Tree sues Red Hat alleging patent infringement by JBoss.
    - March 2010 – Apple sues HTC allegeing patent infringement by HTC Android phones.

MSFT & Open source

- Nov 2006 – MSFT announces agreement with Novell
- May 2007 – MSFT claims Linux infringes 235 MSFT patents.
- Jun 2007 – MSFT announces agreement with Xandros.
- Feb 2008 – MSFT pledges not to assert patent claims against open source developers.
- Feb 2009 – MSFT claims TomTom Linux devices infringe FAT patents.
- Sep 2009 – MSFT sells patents to Open Invention Network.

<u>The Community Response</u>

- Insurance

  – Open Source Risk Management

- Retaliation Clauses

  – Apache, Mozilla

- Patent Pools

  – Open Invention Network

- Policy

  – Free Software Foundation, PUBPAT

The Community Response (cont'd)

- Covenants not to sue
  - IBM, Microsoft

- Design arounds
  - PNG, componentization, licensing

- Organized efforts to invalidate patents
  - Reexamination – PUBPAT
  - Prior art searching – OIN (AOP)

Thinking about Patents – OSS Users

- Know what you use and distribute.
  - Black Duck
- Know the threats.
- Evaluate risk scenario.
  - Plaintiff
  - Defendant
  - Nature of claim
  - License terms
  - "Plan B"

Thinking about Patents – OSS Contributors

- IP licenses

- How you contribute
  - Open source license = disclaimers
  - Contributor agreement = warranties

- Ownership
  - Owner = enforcer

Questions?

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