Software Startups: This Is How You Craft A Patent Strategy

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I write about how to use intellectual property to profit.

Obtaining patent protection for software is notoriously challenging. Software may have a very short shelf life. It's difficult to describe precisely. There are issued patents that are written too broadly. In a 3-part series published in 2012, Eric Goldman goes in deep on how software innovations pose unique challenges to patent systems and what might be done about it. (For an alternative diagnosis, read retired software engineer Martin Goetz' rebuttal.)

Perhaps it is no surprise that confusion reigns over what is eligible for patent protection today. Andrei Iancu, the new director of the United States Patent & Trademark Office, has spoken frequently and forcefully about this issue in recent months.

"In some areas of technology, it is unclear what is patentable and what is not, and that can depress innovation in those particular areas. Our plan at the PTO is to work within Supreme Court jurisprudence to try and provide better guidelines," he said during a hearing before the House Judiciary Committee in late May.

Nonetheless, it is still possible to obtain patent protection for software. So, how do you get started? I've never brought a software related innovation to market, so I asked John Ferrell, my longtime Silicon Valley patent attorney, if I could pick his brain.

His firm Carr & Ferrell has represented many hundreds of software startups over the years. For much of the 1990s, it represented Apple Computer, along

with their subsidiary software company at the time. Other notable software clients of his have included Adobe, Autodesk, Intuit, Oracle and Sega. He was Facebook's first intellectual property attorney. Sony Computer Entertainment (including PlayStation games) has been his client for nearly two decades. He is also an active technology investor. Read the second half of our interview here.

Silicon Valley patent attorney John Ferrell

Ferrell told me he loves patents, because his passion is architecting monopolies — and patents are often the cornerstones of strong monopolies.

How important is intellectual property when launching a new innovation in the software space? (Attracting investors and potential partners, dealing with infringement, etc.)

It really depends on the innovation and the product. Some products in the software space are fleeting novelty items with a very short shelf life. Inventions specific only to that product may not be worth protecting. For example, a mobile game that relates to a movie character may be super-hot for a few months, but then can be expected to quickly fade. An invention related to the movement or actions of a specific character, although possible to patent, may not be worth the trouble of patenting.

Even if the patent application is accelerated and issues very quickly, it may not merit the effort if the product will likely fade before the year or so it takes to get the patent issued. (And there are often better ways to protect these kinds of software products, such as brand licensing of the movie character and copyright protection.)

For other products, however, patents can be critically important. Before software became patent eligible, there was an extremely competitive period beginning in the late 1980s when Microsoft put literally hundreds of significant software companies out of business within a few years.

One such company that comes to mind was a fairly large outfit called Software Publishing Corporation (SPC). SPC had the leading presentation software at the

time, which was a program called Harvard Graphics. For most business people, Harvard Graphics was the standard for conference and conference room presentations. It sold for about a hundred dollars on floppy disks. There were many other presentation software programs at the time, but Harvard Graphics was the leader.

Microsoft developed a competing program (now called PowerPoint) that was not as good at the time as Harvard Graphics. However, Microsoft bundled PowerPoint with its word processor and spreadsheet programs together for the same price as a copy of Harvard Graphics. This bundling of PowerPoint and other programs into what came to be Microsoft Office eventually killed Harvard Graphics and SPC along with many other companies. The wisdom at the time was that competing directly against Microsoft had become nearly impossible. Because if an application sold well, Microsoft would develop a competitive product and give it away for free in their operating system or Office bundle.

Perhaps it was in response to Microsoft dominating the market, or the natural swing of the evolutionary pendulum, that around this time the courts recognized software patents as allowable subject matter.

By the late 1990s, software companies were able to protect their innovations with patents and creative companies like Adobe, Autodesk, and Intuit began to quickly grow and flourish.

Intellectual property protection of software has played a critical role in the growth of competition in the field over the past two decades.

What would you advise startups and companies developing a software related innovation in the United States do first?

The most important advice I can give to a startup wanting to build strong intellectual property protection is to first understand *why* people are buying their product or service.

What is it about the particular product that is driving customers to write a check? It's likely not about the technology at all, but rather it's about a unique experience the buyer gets when using the product.

Nobody wants a quarter-inch drill bit. What they really want is a quarter-inch *hole*. It's the unique experience that we ultimately want the patents to protect. It's not about the tech.

What's the right way to think about obtaining patent protection for software?

The key is to not think about software as just software. Software is a tool that lets us do something real, something useful, something important.

Again, customers are not shopping for technology; rather they are looking for solutions to difficult problems. Useful solutions are the essence of invention, and one of the important goals of our patent system is to promote invention. With a very few exceptions (nuclear weapons secrets, laws of nature, etc.), new, useful and non-obvious solutions are always patentable.

How does the software patent application process differ from other types of innovations, such as medical?

So much of our technology today contains software that there are blurred lines between what we used to refer to as software patents and other innovations like medical devices and hardware technology. It wasn't long ago when we understood that tractors were relatively simple mechanical devices, but today tractors are computer platforms jammed full of processors and computer code.

What should startups budget for their intellectual property portfolios?

The need for intellectual property is really a function of the nature of the startup. A donut shop opening in Detroit may decide to register their name as a trademark and leave it at that. A venture funded tech startup, however, may

have an immediate need for a monopoly patent portfolio to protect its market from competition.

The key in either event is to have a vision of where the company is going, and what goals would be achieved by investing in intellectual property protections. When cash is tight, as it is with most start-ups in the beginning, it's so important to have a roadmap in order to focus investment only on IP that is strategic to achieving goals. Non-strategic investment is just money wasted.

For individuals, startups and companies on a budget, what intellectual property tools have the most value?

The most valuable IP tool for a startup or for any company is an IP roadmap. Two of the many great benefits of being a startup are that there is a complete absence of historical baggage and second, the possibilities for unimagined success are endless.

But who would start a journey without a destination and a roadmap clearly in mind? If our goal were to get to Cleveland — hey, it's on my bucket list — we would never think of traveling there by randomly visiting other cities, one perhaps leading to another.

Similarly, if a company's IP 'strategy' is merely to collect patents randomly, then at any point in time all the company will ever own is a box full of random patents.

To build a true monopoly and to protect the unique experience that keeps customers engaged, it's essential to start with an IP monopoly roadmap of where you are going and a strategy of how you will get there.

For more of my strategies on how to use intellectual property to profit, check out my latest book, Sell Your Ideas With or Without a Patent.