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The Importance of Filing Patent Applications for Software Inventions

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We all know that a patent application can be a significant asset to a company and its valuation. However, too many companies mistakenly believe that all software is not patentable. As a result, they are failing to file patent applications that can provide value now, as well as in the future. This article will discuss the benefits of filing patent applications for even marginally patentable software-based inventions.

1. Patent applications can provide valuation for investment and sale.

Too many times, we have seen where companies have elected not to file patent applications for their software inventions. As a result, when it becomes time to value the company for investment or sale purposes, the fact that the company has no patent applications on file reduces the value of the company. After all, buyers and investors want something that will protect their investment or their loans in such a way that the second mouse to the cheese does not have an advantage. Having a pending patent application on file with the U.S. Patent and Trademark Office (USPTO), even a provisional application, generally tends to increase the value of a company. This has been reinforced by Shark Tank, where every pitch company is asked if they have a pending patent application on file.

2. Companies can use "patent pending" to create uncertainty for their competitors.

If an application is on file, the owner of the patent application can use "patent pending" on its products, in its marketing literature, and on its website. This will cast doubt in the minds of competitors as to what is the subject of the patent application and whether the competitor may be stepping into a future patented product or service. That will likely cause the competitor to stray far from the company's invention, resulting in higher costs or an inferior solution.

3. What is patentable subject matter in the future will likely be more broadly interpreted than what it is now.

Ever since the Supreme Court narrowed subject matter patentability in its *Mayo* and *Alice* cases, they cast into doubt the value of company-owned patents and patent applications directed to software-related platforms. Since the issuance of these decisions, there have been multiple efforts within Congress to broaden the scope of subject matter patentability. In addition, many organizations and individuals, including several past commissioners of patents, have lobbied Congress to pass legislation that would broaden patentable subject matter.

While these efforts have not been successful in the past, there is optimism that the Patent Eligibility Restoration Act (PERA) will be passed soon. One such change to subject-matter eligibility of a patented invention is reflected in the following proposed language: "Any process that cannot be practically performed without the use of a machine (including a computer) or manufacture shall be eligible for patent coverage."

If this proposed language is enacted, many software applications would now become allowable. Therefore, while patent applications need to continue to optimize patentability based upon current laws, it is prudent to file patent applications in anticipation of the passage of the proposed language.

4. Patents containing questionable subject matter continue to get through the current system.
The current system of patent examination is very subjective as it is generally up to the discretion of a patent examiner to determine the future of a patent application, including what is (or is not) patentable subject matter. As a result, many ongoing and granted patents claim questionable subject matter. Therefore, even under the current system, there are benefits of filing patent applications comprising marginally patentable subject matter.

Conclusion

The value of an issued patent, even a pending patent application, is so important to a company and its valuation. Because the laws on subject-matter eligibility may change soon, companies should file patent applications for software, even if marginally under the current legal landscape.

If you have questions or concerns regarding this alert please reach out to Edward D. Lanquist, Dominic Rota, or any member of Baker Donelson's Intellectual Property Group.