

INTELLECTUAL PROPERTY LAW

Video game developers ignore patents at their peril

Lesser-known aspects of the technology, including software-driven applications, can be patentable.

BY MICHAEL R. O'NEILL
AND AHSAN A. SHAIKH

Once thought of as a fledgling industry producing children's toys, the video game industry is now one of the largest and fastest-growing industries in the world, grossing more than \$47 billion in worldwide revenue and producing high-tech products geared toward people of practically all ages and demographics. Companies in this industry often own vast amounts of intellectual property. Indeed, for most companies in the video game industry, intellectual property is the company's lifeblood. It often is at the core of what the company makes and sells, whether it be hardware or software. Moreover, it often is what separates a company in the industry from its many competitors.

Despite the size, growth and high-tech nature of this industry, most video game companies do not aggressively pursue the full range of intellectual property protections available. Historically, most companies in this field have focused almost exclusively on copyright and/or trademark protection for things such as software, logos, game characters, game story lines and game titles. For various reasons, many companies in this industry have ignored or given short shrift to securing patents. This decision can come at a great cost in terms of lost opportunities and risk to one's business.

Patents are designed to protect novel devices, processes, methods and compositions. A patent conveys a time-limited right to exclude others from making, using, selling and/or importing a claimed invention in the United States. For patent applications filed after 1995, a patent's term, or the term of this lawful monopoly and right to exclude others, generally runs for 20 years.

Importantly, patents can—and often do—provide protections that are much broader than other forms of intellectual property. For example, whereas a copyright can protect only specific software code, a patent potentially can more broadly protect a method that can be performed using any code. As another example, whereas a trademark can protect only a logo on the packaging of a product, a patent may very well be able to protect the product itself.

In the world of video game technology, it is fairly well known that video game hardware can be patentable. For example, all of the major game console manufacturers—Microsoft Corp., Sony Corp. and Nintendo Co. Ltd.—have patents covering some aspects of their respective consoles—Xbox, PlayStation and Wii. Moreover, all of those manufacturers are paying patent license royalties to third parties on patents that cover some feature of their consoles. In addition to the consoles, various features of game controllers—the devices players use to control on-screen game play—are patented. For example, the “rumble” feature that causes game controllers to shake in response to certain game play activities is patented. Motion features that allow game players to control game play by simply moving the controller as opposed to manipulating joysticks and/or buttons also are patented. As recently as December 2009,

Sony filed a patent application directed to a motion-sensing game controller that can be used as a microphone, flashlight and even maracas.

OTHER PATENTABLE TECHNOLOGY

What is not so well known, however, is that many other aspects of video game technology can be patentable, including software-driven applications attributable to video game designers and software developers as well as to hardware manufacturers. This is by no means an exhaustive list, but as limited examples, game physics, graphics engines, networking applications, game play elements and on-screen user-interface mechanisms can be and have been patented. In 2008, Microsoft filed a patent application directed to a user interface that provides an on-screen game guide to provide instructions to help players navigate through the more challenging aspects of a video game.

Whether related to hardware or software, most companies in the video game industry tend to shy away from patents for various reasons, many of which are based on misconceptions and misunderstandings of the patent laws.



Many believe that patents can be obtained only on so-called pioneering or groundbreaking technology, i.e., something that is completely new. The fact is that patents can be obtained on improvements to existing technology. The vast majority of patents issued cover what are known as improvement patents.

Many argue that it takes too long to obtain patents and that, by the time a patent issues, it is worthless because the technology in use has moved on. It is true that the video game industry and the technology used in that industry have moved and likely will continue to move rapidly. It also is true that it takes, on average, about two years from the time a patent application is filed to the time a patent issues. On the other hand, many game innovations remain in use for many years and across platform generations.

Some argue that video game companies should not seek patents because patents stifle creativity. Although there may be some merit to this claim and the debate over this issue is an emotionally charged one, the point is largely academic. The fact is that the patent system is in place. If a company is not seeking patents on its innovations, others are doing so. As a result, a company avoids the patent system at its own peril.

Many also believe that patents cannot be obtained on software-related applications. It is true that, during the past several years, the U.S. Court of Appeals for the Federal Circuit—the specialized court that hears appeals in all patent cases—has limited the availability of patents on certain methods, which can include software-related applications. It is going too far, however, to say that patents cannot be obtained on software-related inventions.

Most recently, in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), the Federal Circuit held that, to constitute patentable subject matter, a claimed method must satisfy what is known as the “machine-or-transformation test,” which requires that the method be tied to a particular machine or apparatus or transform a particular article into a different state or thing. Before *Bilski*, a claimed method merely needed to produce a “useful, concrete, and tangible result.” This earlier test did not require claims to be narrowly tied to a particular machine or result in some type of transformative process.

As an initial matter, it should be noted that *Bilski* is on appeal before the U.S. Supreme Court. In November 2009, the justices heard oral argument on the case. Many commen-

tators believe it is likely the Supreme Court will reverse the Federal Circuit and provide a more relaxed or at least a more definitive standard to assess the patentability of method claims, including claims directed to software applications. It is rare for the Supreme Court to accept a patent case unless it intends either to reverse or modify the Federal Circuit’s decision. Moreover, the questions at oral argument suggested that at least some of the justices were not altogether comfortable with the “machine-or-transformation test,” or at least with leaving it the sole test of patentability for method claims.

Even if *Bilski* is allowed to stand, or if the Supreme Court issues some semblance of the “machine-or-transformation” test, inventors of software applications can probably fulfill this test. In August 2009, the commissioner for patents of the U.S. Patent and Trademark Office (PTO) issued instructions for evalu-



A company’s failure to secure patents leaves it open to the possibility that competitors will copy and use its features.

ating patentability under *Bilski*. The commissioner said that, to satisfy the “machine” prong of the test, a method must be tied to a particular machine, the machine must implement the method and the claim must show how the machine implements the method. As an example, the commissioner said that the machine can be a computer that is programmed to perform the method steps. For software applications, especially in the field of video game technology, this standard should be fairly easy to meet because, by necessity, a particular machine will be implementing the method steps, whether the machine is a computer, game console, dedicated processor, chip set, graphics card, network appliance or the like.

HOW IT PAYS TO PATENT

Finally, many believe that patents are too expensive to secure and maintain. It is true that a company seeking to apply for patents

must engage a competent patent attorney and, depending on the nature of the invention, the fees for preparing and prosecuting a patent application can run in the thousands of dollars. It also is true that, after a patent issues, the patentholder must pay the PTO an annual maintenance fee that, depending on the circumstances, can amount to hundreds of dollars. In most cases, however, the benefits of seeking and maintaining patents far outweigh these costs.

Patents can provide a company with a significant competitive advantage by allowing the company to block competitors from making and selling products that use the patented technology. Moreover, patents can be monetized through either a licensing program or patent infringement litigation. Royalties paid on particularly useful technology can be quite significant. Furthermore, patents often can provide credibility when companies seek to attract lenders and investors.

The flip side of the cost of obtaining patents is the cost of not obtaining patents. A company’s failure to secure patents leaves the company open to the possibility that competitors will copy and use a company’s otherwise protectable gaming features. A company’s failure to maintain an active patenting program also opens the company up to the risk that other entities, whether competitors or so-called “patent trolls”—entities that secure patents for the sole purpose of asserting them against others—will seek patent protection and preclude the company from using certain of its own features.

In summary, patents can offer companies in the video game industry a broad range of protections. Given the benefits of obtaining patents and the risks associated with not obtaining them, the value of an active intellectual property program that includes patents cannot be overstated.

Michael R. O’Neill is a partner in the Irvine, Calif., office of McDermott Will & Emery. He specializes in intellectual property litigation and related counseling. Ahsan A. Shaikh is an associate in that office. He specializes in patent and trademark prosecution. Both are avid video game players; they started their firm’s video game practice unit and have given many presentations on the legal issues that affect the video game industry.