LAW.COM
First in Legal News and Information

Patents Are Becoming Crucial to Video Games

Gregory P. Silberman
The National Law Journal
08-30-2006

For video game developers, publishers and investors, the most important asset is the intellectual property rights they own or control in the game. All of the elements of a video game -- the story, audiovisual elements, underlying computer code and even "gameplay" elements (that specify the way the user interacts with and experiences a game) -- are subject to one or more forms of intellectual property protection. Traditionally, intellectual property protection for video games has been based upon either trade secret, copyright or trademark. Patents, however, are quickly becoming an important part of the video game industry.

Many people in the video game industry dislike the idea of patent protection for video games because they believe patents will stifle innovation and hinder the development of the industry. Just as other industries have had to incorporate patents as a form of intellectual property protection, the video game industry must learn to consider, and adapt to, the implications of patent protection for video games.

Unlike copyrights, patents protect more than just the specific expression of an idea. Whereas copyrights would protect the source code used to implement a function in a computer program, a patent can protect the idea for the function itself, provided the idea was novel and nonobvious. Patents, issued by the U.S. Patent and Trademark Office, grant their owners "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States or from "importing" the invention into the United States. The term of a patent filed after June 8, 1995, is generally up to 20 years, measured from the filing date of the patent application. The previous term for a utility patent was 17 years from the date the patent was issued.

One of the most powerful aspects of patent protection in the United States is that it applies to everyone. This means that, unlike in the case of trade secret or copyright protection, there is no requirement that an infringer have knowledge of a company's intellectual property or the intent to appropriate that intellectual property. A patent is infringed when a third party makes, uses, sells, offers for sale or imports an invention that is the subject of the owner's patent, regardless of the infringer's ignorance of the patent or lack of malicious intent. Even independent development of an invention is not a defense to a claim of patent infringement.

Despite concerns that patents and the lawsuits they create will rob the video game industry of creativity, cripple its growth and generally be a bad thing, patents have the

potential to be very useful for video game developers, publishers and investors. Through the threat of litigation, patents can be used to exclude a competitor from a market that the patent holder has expended a great deal of time and resources in developing. When a patent is infringed, the owner may enjoin the use of the invention and compel the payment of damages, royalties and attorney fees as redress for the misappropriation of his/her intellectual property. Inventorship and innovation may be evidenced by obtaining patent protection for an emerging technology. Finally, patents are assets that can be used to secure funding to develop a technology or business.

WHAT THESE PATENTS COVER

video game patents can cover everything from hardware devices to software, business and gameplay methods. Software patents for video games include the various systems and methods used to generate the graphics, sound, physics, artificial intelligence, user input and feedback, as well as the content distribution, digital rights management and anti-piracy systems. Hardware patents may cover numerous components used in video game systems, including input and feedback devices, network cards, wireless transceivers, storage devices/media and a seemingly endless number of other components that go into the modern PC or video game console.

Business method patents include various micropayment systems and methods for providing and measuring online advertising. Gameplay patents cover the methods of determining how the user experiences a game, as well as the features and rules of a game, such as methods of keeping score. One example of a gameplay patent is U.S. Patent No. 6,763,273 for a "Kudos Scoring System with Self-Determined Goals," which claims a scoring method and system for determining points in a game. Goal-based points are determined as a function of a player achieving a goal set by the player (not predefined by the game) and are used to determine the player's status in the game.

Patents for video games are not new. It is likely that the first "video game" patent was granted to Thomas T. Goldsmith Jr., et al., for their "Cathode-Ray Tube Amusement Device." The Goldsmith patent application was submitted to the U.S. Patent Office on Jan. 25, 1947, and U.S. Patent No. 2,455,992 was awarded on Dec. 14, 1948.

Of the millions of issued U.S. patents, there are literally thousands of patents on video game inventions and probably thousands more patent applications pending. A brief search of the U.S. Patent and Trademark Office's online patent database indicates that Nintendo Co. has 469 issued patents and 180 pending patent applications; Sony Computer Entertainment and Sony Online Entertainment together have more than 550 issued patents and more than 150 pending patent applications; and Sega Corp. has 464 issued patents and 45 pending patent applications. While these companies all make hardware as well as software, it is important to note that companies that are strictly software developers also have patent applications; for example, Electronic Arts Inc. has 12 issued patents and 15 pending applications.

Of the thousands of issued patents and tens of thousands of pending applications, it is notable that Microsoft Corp.'s 5,000th patent, U.S. Patent No. 6,999,083, was recently awarded for a "System and Method to Provide a Spectator Experience for Networked Gaming." The patent claims technologies that allow people not just to play video games

against each other online, but also to join the game as spectators from anywhere in the world.

What are people going to do with all those patents?

The concern over patent protection for video games stems from both the tremendous strength of patents as a form of intellectual property protection and the expense of obtaining and litigating patent rights. Also, because patents can be unknowingly infringed, they can create a pervasive sense of uncertainty.

PROTECTING INGENUITY

For the innovator, patents can provide a means of protecting hard work and ingenuity. There are numerous examples of companies that have developed, marketed and sold innovative technologies, only to be crushed by larger competitors that, once they recognized the market, were able to replicate the innovation and outspend the innovator. In some of these instances it is likely that proper patent protection would have given the innovator the opportunity to protect its innovations and prosper.

In July 2003, Microsoft settled a patent suit filed against it by Immersion Corp. related to force-feedback joysticks (input devices used to control the action within a video game). Under the settlement arrangement, Microsoft paid Immersion $26 million for licensing rights and for a stake in the company; Immersion was also given the right to borrow as much as $9 million more. In related litigation, Sony Computer Entertainment of America chose not to settle, and in May 2005, Immersion obtained a $90.7 million judgment against Sony for patent infringement related to force-feedback joysticks and games containing force-feedback software. Rather than risk the same fate as Sony, Electro Source, the maker of Pelican video game accessories, then opted to settle its patent dispute with Immersion for an undisclosed amount. Without comment as to the innovation of their patents, it is clear that Immersion was better off for having sought patent protection than it would have been had it forgone such protection.

Unfortunately, like any complex system of governance, the patent system is subject to abuse. It has become increasingly common for patent infringement suits to be filed by plaintiffs that have no business other than collecting patents for the purpose of litigation and generating licensing fees. Often referred to as "patent trolls" or more politely, "patent assertion firms," these companies and individuals pose the real threat to innovation and growth.

Probably the most famous patent assertion firm in the video game industry is American Video Graphics L.P. (AVG). Beginning in August 2004, AVG sued 16 video game publishers, alleging that these defendants infringed AVG's patent, U.S. Patent No. 4,734,690, "Method and Apparatus for Spherical Panning." The patent in question was originally filed in 1987 by William G. Waller of Tektronix Inc., and was directed toward "a graphics display terminal [that] performs a pan operation with respect to a view motion center to effectuate spherical panning, thereby providing perspective and non-perspective views," in addition to a zoom feature.

Taken in the context of video games, this would seem to imply that any 3D game engine that uses camera movement or zooming of any kind, relative to a specific object, would

infringe the patent. This description encompasses the vast majority of current video games. Due to the expense of litigation and the potential exposure, all of the defendants settled. While the majority of the settlements were confidential, Atari Corp. reported that it had executed a patent license and settlement agreement pursuant to which it paid $300,000 in full settlement of the lawsuit and received an irrevocable, nonexclusive, worldwide license to use, publish, sell, etc., products covered by the AVG patents. The speculation is that the total value of the settlements from the game publishers was in the range of $10 million to $20 million, though the actual dollar figure is unknown.

While these are the two highest-profile patent cases in the video game industry, they are not the only ones filed in recent years. There has been a significant increase in the number of claims of patent infringement and applications for new patents in the area of video games and related technologies over the last five years.

PATENT STRATEGIES

What is to be done?

While it may be easy and cathartic, even enjoyable for some, to complain that the patent system is broken and should be scrapped, the video game industry is going to have to contend with the reality that the law currently recognizes the patentability of software, business and gameplay method patents. For those who feel the system needs to be changed, there is some hope in the fact that the Patent and Trademark Office has revised its examination procedures with regard to software and business method patents. There is also a possibility that Congress may someday change the law. For now, the best advice for developers, publishers and investors is to recognize that patents are a part of doing business in the video game industry and to evaluate both the risks and opportunities they present.

Members of the video game industry, especially developers, need to give new consideration to securing patent protection for their own innovations. Patenting a new technology does not require that companies seek to enforce patent rights, but it does give them control over their inventions. When the decision not to secure patent protection is made, there should at least be some effort on the part of developers or publishers to thoroughly document their inventions, in order to prove priority of invention if the developer or publisher finds itself facing a claim of patent infringement in the future.

In the event a developer or publisher receives a notice of patent infringement, it will most likely arrive after the game, peripheral or service has already gone to market and is difficult or impossible to recall. Any allegation of patent infringement should be taken seriously and should never be dismissed out of hand. Once notice of alleged infringement is received, failure to discontinue the alleged infringement will likely constitute willful infringement and may expose the alleged infringer to liability for treble damages and attorney fees.

It is likely that both the developer and publisher will receive notices simultaneously, but it is important for both parties to be in communication with each other so as to coordinate their response. It is critical to bring in experienced legal counsel to evaluate the claims so that they may be dealt with in as timely a fashion as possible. If the claims appear to be legitimate, the question typically becomes when to settle (not whether).

It is in the circumstances when the patent appears to be more tenuous that the parties must make the hard decision whether to settle or face potentially catastrophic damages. While there is an argument that capitulation and settlement by defendants encourages more litigation, it is up to individuals and companies to determine what risks they are willing to take. In the end, a company's response to an allegation of patent infringement should be a business decision -- not a visceral reaction based upon personal notions of fairness.

Patents are becoming an established part of the legal landscape for the video game industry and they are not going away anytime soon. Despite the outcry from some developers and publishers, patents for video game technologies will not be the death of the industry. While it may be true that the patent system has been and will be exploited from time to time and that patents will be allowed that should have been rejected, the video game industry can learn, just as every other mature industry has learned, to deal with patents.

Gregory P. Silberman is a patent attorney and partner in the technology, intellectual property and outsourcing group at New York's Kaye Scholer.