

BUSINESS

High court limits software patents

Some basic business methods fall outside what can be protected.

THE NEW YORK TIMES

The Supreme Court unanimously ruled on Thursday that basic business methods may not be patented, even if computers are used to apply them.

The case involved a method for reducing the risk that the parties in a transaction will not pay what they owe.

Writing for the court, Justice Clarence Thomas said that was "a patent-ineligible abstract idea."

"Merely requiring generic computer implementation," he added, "fails to transform that abstract idea into a patent-eligible invention."

The ruling appeared to be modest and in line with earlier decisions of the court that were wary of stifling innovation by extending patent protection to business methods and natural phenomena.

Still, it will be carefully read in Silicon Valley for indications of how specific technical ideas need to be to become eligible for patent protection. Patent claims over the way ideas are incorporated into computers, cellphones and other devices have become a challenge for many high-tech companies.

Many technology companies have interests that tug in opposite directions.

They tend to hold large portfolios of valuable patents and want to protect them, but they must also contend with "patent trolls," companies that have obtained patents on sometimes vague concepts and that are more active in the

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ALEX BRANDON, THE ASSOCIATED PRESS

The Supreme Court has ruled that a patent cannot protect an abstract idea.

MATT MASIN, STAFF PHOTOGRAPHER



Lenny Maldonado fills out an application for employment during an open application session for Del Frisco's Grille in Irvine. Despite low turnout in person, regional manager Kim Owens said more than 600 people had applied online as of noon Wednesday.

CHAPMAN: JOBS, WEALTH ARE CLIMBING BACK

University's semiannual forecast has state continuing to add positions at a steady clip for next two years.

California was the third-fastest-growing state for job creation last year, after North Dakota and Utah, and will continue to add positions at a healthy clip this year and next, according to Chapman University's semiannual forecast.

In Orange County, jobs are growing across the economy. But only one sector – leisure and hospitality – has more workers than it had before the recession. And on average those positions, many of them in hotels, restaurants and theme parks, pay below average.

High prices, rising interest rates and tougher lending standards will put home ownership out of reach for a growing number of Californians in the next two years, especially in high-cost coastal ar-



MARGOT ROOSEVELT
STAFF WRITER

reas such as Orange County, the forecast found.

More than 1,000 local businessmen and women attended the university's presentation at Costa Mesa's Segerstrom Concert Hall on Thursday. The event marked Chapman's 36th year of economic forecasting.

Economists James Doti and Esmael Adibi parsed trends in the United States, California and Southern California. Doti also serves as Chapman's president.

Their 30-page report, which factors some 200 equations into an economic model, is published in Chapman's Economic & Business Review. In the present-

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FILE PHOTO

Chapman professor Esmael Adibi predicts the state will add 395,000 jobs this year.

MORE INSIDE

GIRL GEEK INITIATIVE PROMOTED

Fewer than 1 percent of high school girls think of computer science as part of their future.

Made with Code, an initiative that promotes coding, intends to close a gender gap in computer sciences. **Page 4**

ANOTHER S&P 500 RECORD

The Standard & Poor's 500 index closed at an all-time high for the second time in two days and notched its fifth gain in five days. The Dow gained 14 points. The three major indexes are all up for the year. **Page 6**

Founder's exit ripens American Apparel as target

The L.A.-based company has not turned a profit since 2009.

BY BROOKE SUTHERLAND
BLOOMBERG NEWS

Dov Charney's ouster at American Apparel may bring out the bargain hunters.

The Los Angeles-based maker of T-shirts and neon spandex leggings climbed as much as 22 percent Thursday amid speculation the \$120 million company could be sold after the board pushed out founder Charney because of misconduct. While



ANDREW BURTON, GETTY IMAGES

American Apparel "has gone from being on no one's radar to being something interesting," said an industry analyst.

American Apparel hasn't had an annual profit since 2009, the brand is still attractive and its foothold in the 19- to 30-year-old

demographic – a lucrative one for retailers – could lure suitors, said Brean Capital LLC.

Even after the gain, buyers

can get it on the cheap: The company remains a penny stock and traded at the lowest sales multiple of any similar-sized retailer. American Apparel's eclectic vibe may make it a good fit for Urban Outfitters, said Jennifer Black & Associates LLC. Charney could also team up with another buyer to take the company private, Brean Capital said, estimating a deal valuation of \$1.50 a share, or about \$500 million including debt.

"This has gone from being on no one's radar to being something interesting," Eric Beder, a New York-based analyst at

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MARKET RECAP



Dow Industrials
Close: 16,921.46
Change: +14.84



Nasdaq Index
Close: 4,359.33
Change: -3.51



S&P 500 Index
Close: 1,959.48
Change: +2.50



10-year Treasury:
Close: 2.63%
Change: +0.04



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Change: +\$0.46



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Gallon: \$4.112
Change: -\$0.003

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JOBBS: 'Sluggish but resilient' recovery expected to continue

FROM PAGE 1

ation and in interviews, here's what they predict:

THE U.S. ECONOMY

The bullish stock market, along with higher housing prices, has pushed household wealth to its highest level ever, above \$80 trillion. Real gross domestic product, which rose by 1.9 percent in 2013, will jump 2.2 percent this year and 3.1 percent in 2015 – the first time growth would surpass 3 percent annually since the recession.

The recovery remains “sluggish but resilient,” the report found. Job gains will accelerate, although “wages are not going up a whole lot,” Doti said. He predicts consumer spending will rise nationally by 2.8 percent this year, and by 2.9 percent in 2015. That's up from 2 percent last year.

THE CALIFORNIA ECONOMY

It remains a tale of two regions: Joblessness in inland regions from the Central Valley to the Inland Empire is far higher than in most coastal areas, including Orange County and San Francisco.

But the laggards are bouncing back. “They're in catchup mode,” Adibi said. Inland Empire payrolls jumped 4 percent last year, and overall state payrolls grew 3 percent. That compares with Los Angeles' job growth of 2.6 percent and Orange County's 2.5 percent.

Adibi predicts that California will add 395,000 jobs this year, at a 2.6 percent growth rate, and 418,000 jobs in 2015, a 2.7 percent jump.

Another likelihood:

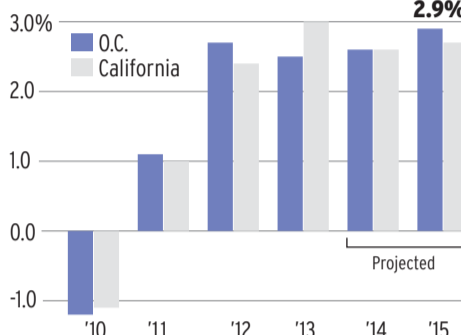


MATT MASIN, STAFF PHOTOGRAPHER

The mixed forecast for job seekers, says economist and Chapman President James Doti, is that though job gains will accelerate, “wages are not going up a whole lot.”

More jobs ...

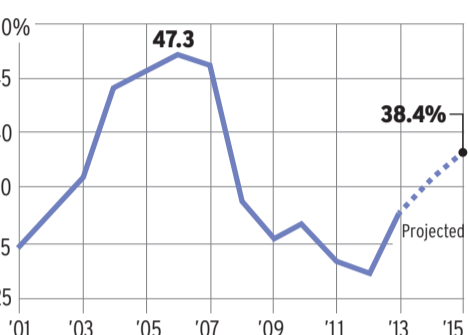
In parallel with a stronger national and international economic outlook, the number of payroll jobs in Orange County is expected to grow by 5.5 percent over the next two years. This translates to an additional 80,000 jobs.



Source: Chapman University Economic & Business Review

... less affordable housing

By 2015, the percentage of median family income needed to pay the mortgage on a median-priced home is projected to rise due to stagnant wages, along with higher home prices and lending rates.



JEFF GOERTZEN, ART DIRECTOR

stronger export growth for the state because of improving prospects among its major trading partners. Led by demand for computers, aerospace and automotive parts, exports will rise from \$168 billion last year to nearly \$194 billion in 2015.

THE ORANGE COUNTY ECONOMY

“Trends are in place for a

better economy in 2014 and a much better economy in 2015,” Adibi said. “That is the overall message of the forecast.”

Thanks to a boost in construction spending and an improving national and international outlook, he expects the county to generate an additional 37,000 jobs this year, a 2.6 percent growth rate. In 2015, that

will accelerate to 43,000 jobs, a 2.9 percent jump.

Nonetheless, Adibi cautioned, “Orange County is not doing as well as most people think.” The county's 5 percent unemployment rate is calculated from a federal telephone survey that counts people as employed if they worked even a single hour in one week, he said. The survey is unreli-

PATENTS

FROM PAGE 1

courthouse than on the production line.

Vizio, an Irvine maker of flat-panel TVs that has waged numerous court battles over its own patents, applauded the ruling.

“Today's unanimous decision by the Supreme Court is a significant step in restoring balance between innovation and the abuses of the patent system,” the company said in a statement. “Such balance better levels the field in the battle against patent trolls that try to use overly broad and generic patents that supposedly cover common ideas performed by regular computers – ideas that often have been around for many years before any patent application was filed.”

Dozens of companies took positions in the case. Retailers and Internet businesses including Google and Amazon urged the court to weed out baseless royalty demands, while software makers led by Microsoft said overly strict limits on patents would reduce incentives to develop cutting-edge programs.

“These companies are holding portfolios of pat-

ents about actions you can take on the Internet and they are now open to some question,” said Dan Burk, a patent law expert at UC Irvine.

The Supreme Court “still (has not) told us what is inventive enough (to be patentable). ... They sort of told us what is not inventive enough,” Burk said.

The patents at issue in Thursday's case were owned by the Alice Corp., an Australian company that developed a method for mitigating settlement risks among multiple parties.

In its Supreme Court brief, the company said the method was eligible to be patented largely because it involved shadow records updated in real time that “require a substantial and meaningful role for the computer.”

The patents were challenged by CLS Bank International, which says it clears \$5 trillion in foreign exchange transactions a day using methods to ensure that both sides performed.

Alice Corp.'s patents, the bank said, merely recited “the fundamental economic concept of intermediated settlement of escrow.”

Staff writer Ian Hamilton contributed to this report.

APPAREL

FROM PAGE 1

Brean Capital, said in a phone interview. American Apparel has a “very desirable market. It's a market that we've seen mainline players trying to get into and fail miserably.”

American Apparel's board said Wednesday night that it suspended and will fire Charney amid an investigation into unspecified misconduct. Allan Mayer, the company's now co-chairman, said the ousting wasn't in preparation for a sale or bankruptcy.

“We are not pursuing any transaction,” Mayer told Bloomberg News. “We have no intention to sell the company.”

A representative for American Apparel declined to comment further.

Charney's divorce from the company still could put his 27 percent stake, as well as the rest of the company, in play, said Beder of Brean Capital.

Shares of the retailer closed 6.7 percent higher Thursday.

The company's strong brand may appeal to buyers, said Craig Johnson, president of Customer Growth Partners LLC, a New Ca-

naan, Conn.-based consulting firm. American Apparel, which promotes its products as “Made in USA,” has almost 250 stores in 20 nations, including France and Japan. It had about \$634 million in sales last year.

“The brand itself and the kind of style viewpoint it represents, we think has value beyond the company's current either financial or CEO-level challenges,” Johnson said in a phone interview. “There's no tarnishing of the brand generally in consumer land. The company can be rebuilt and re-energized. It may take a little bit of time.”

American Apparel has a strong international presence, particularly in Asia, and it counts “hip, urban” young adults as its core customers, Beder said.

“That 19- to 30-year-old customer wants something authentic that they can make their own, and that's tough for a lot of retailers,” Beder said. A larger company could buy it for access to “a customer that they don't really get.”

With a price-sales multiple of 0.12, American Appa-

rel is cheaper than any specialty apparel retailer valued at more than \$100 million, according to data compiled by Bloomberg.

One retailer that may find American Apparel appealing is Urban Outfitters, said Beder and Jennifer Black of Jennifer Black & Associates. The \$4.7 billion company operates the Anthropologie and Free People stores, as well as its namesake retail operations.

“That customer is kind of trendy, yet buys a lot of different stuff,” Black, chief executive of the Lake Oswego, Ore.-based firm, said in a phone interview. “That's who would come to my mind.”

A representative for Philadelphia-based Urban Outfitters didn't respond to requests for comment.

Still, suitors may be hesitant to buy a company that's so unstable financially, said Jaime Katz, a Chicago-based analyst at Morningstar Inc.

“You're not turning a profit, and you haven't turned a profit for an extended period of time, and the space is getting increasingly competitive,” Katz said. “It would be hard to think about who a strategic buyer for that sort of business would be.”

American Apparel's

jumped into the market during the recession, buying foreclosed homes. Now, Adibi said, “They are shy away from the California market.”

He predicted that “the high rate of price appreciation over the last two years is not sustainable in the future. Some cooling off is in the offing.”

The likely result: 5 percent annual appreciation in 2014 and 2015.

On the negative side home ownership is again growing out of reach for the average family. In 2001, a median-income family in Orange County needed to spend only 30 percent of its monthly income on the mortgage of a median-priced house.

By 2006, the portion had soared to 47 percent; it dropped back down to 27 percent in 2012.

Chapman's prediction: By 2015, given rising home prices and mortgage rates, a median-income family in Orange County will be back to spending more than 38 percent of its income to pay for a home.

“Some high-priced markets like Newport Coast won't be affected,” Adibi said. “People there can afford it because their income doesn't necessarily come from wages. But this is definitely bad news for first-time buyers.”

Doti echoed the concern. “Housing affordability is a serious issue,” he said, noting that many young workers are also saddled with student loans. “The No. 1 reason people leave California is the cost of living – and the No. 1 cost is housing.”

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