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Continued Uncertainty Over Patentable Subject Matter

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The Federal Circuit has long struggled to clarify the standard for determining whether a computer-implemented invention is patent-ineligible because it falls under the "abstract idea" exception to patentability. Most recently, in *CLS Bank Int'l v. Alice Corp. Pty., Ltd.*, No. 2011-1301, an en banc Federal Circuit confronted this issue directly but could not reach a consensus on the applicable standard, resulting in six opinions by the 10 sitting judges. The core of the disagreement focused on how expansively the abstract idea exception to patentability should be applied, and how to interpret the U.S. Supreme Court's "inventive concept" requirement to the abstract idea exception pursuant to *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289 (2012).

This article endeavors to identify the operative standards outlined by the various opinions, but this is not an easy task. Indeed, Chief Judge Randall Rader in his "Additional Reflections" opinion recognized the lack of clear direction from the Court:

"I enjoy good writing and a good mystery, but I doubt that innovation is promoted when subjective and empty words like "contribution" or "inventiveness" are offered up by the courts to determine investment, resource allocation, and business decisions . . . .

As I start my next quarter century of judicial experience, I am sure that one day I will reflect on this moment as well. I can only hope it is a brighter reflection than I encounter today."

This uncertainty will continue until there is clarification by either the Supreme Court (possibly in the short term), or Congress or subsequent Federal Circuit decisions in the long term.

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CLS Bank Litigation Background

In *CLS Bank*, the district court held invalid certain claims covering a computerized trading platform that uses an intermediary to mitigate risks in trading stocks or currency, finding the claims were directed to an abstract idea and therefore ineligible for patent protection. On appeal, a panel of the Federal Circuit reversed, and subsequently the court agreed to hear the case *en banc*. The *en banc* court issued a two-paragraph *per curiam* opinion, affirming the district court ruling that all claims were ineligible under 35 U.S.C. § 101.

Judge Lourie's Opinion

Judge Alan Lourie, joined by Judges Timothy Dyk, Sharon Prost, Jimmie Reyna, and Evan Wallach (the "Lourie Group"), found each of the method and system claims to be ineligible for patentability. Under this group's approach, a court must first identify the abstract idea and then determine whether there exists any "additional substantive limitations that narrow, confine or otherwise tie down the claim so that . . . it does not cover the full abstract idea itself."

This group viewed this substantive limitation requirement as the

"inventive concept" the Supreme Court required in *Prometheus*, which must be a "genuine human contribution to the claimed subject matter" that is "more than a trivial appendix to the underlying abstract idea." The Lourie Group further explained that a human contribution cannot confer eligibility to an otherwise abstract claim where it is "merely tangential, routine, well-understood, or conventional, or fail[s] in practice to narrow the claim relative to the fundamental principle therein."

Chief Judge Rader's Opinion

Chief Judge Rader, joined by Judges Richard Linn, Kimberly Moore and Kathleen O'Malley (the "Rader Group"), found the system claims to be patent eligible. In this group's view, the relevant inquiry focuses on whether a claim contains a meaningful limitation restricting it to an application of an abstract idea, rather than the abstract idea itself. Where claims tie an abstract idea to a specific way of doing something with a computer, or disclose a specific computer for doing something, they will likely be patent eligible. Such meaningful limitations may include the computer being part of the solution, being integral to the performance of the method, or containing an improvement in computer technology.

As to the method claims, the Rader Group was split. In a separate opinion, Judges Linn and O'Malley found the method claims valid, pointing to the parties' acknowledgments in the record that all the claims contained the same meaningful limitations, and that every limitation in the system claims must be read into the method claims. By contrast, Judges Rader and Moore found the method claims to be invalid because they viewed the claimed method steps to be an inherent part of an escrow arrangement, and therefore providing no "inventive concept."

Judge Moore's Opinion

Judge Moore filed a separate opinion dissenting in part from the *per curiam* opinion, joined by Chief Judge Rader and Judges Linn and O'Malley. Judge Moore warned that finding all claims to be ineligible will cause "the death of hundreds of thousands of patents, including all business method, financial system, and software patents." In her view (similar to that of Chief Judge Rader), specifying the limitations and structure of a claimed machine provides the "inventive concept" that meaningfully limits the claim. Judge Moore regarded the system claims as "detailed" and "specific to a system of particular hardware programmed to perform particular functions." She rejected Judge Lourie's notion that the system claims were merely method claims in disguise, and asserted that a computer does not become an abstract idea "by virtue of the software it is running."

Judge Newman's Opinion

Judge Pauline Newman filed her own opinion and urged that the attempts to define a "universal criteria of eligibility" by defining "abstractedness," "preemption," and "meaningfulness" were "heroic," but misguided. In Judge Newman's view, the eligibility inquiry should be strictly limited to the statutory classes set forth in 35 U.S.C. § 101, and issues concerning the breadth of the claims should be addressed under sections §§ 102 (anticipation), 103 (obviousness) and 112 (adequate disclosure) of the statute.

Conclusion

CLS Bank provides no clear way forward in assessing the eligibility of software patents, and it remains uncertain whether the Supreme Court will grant a petition for certiorari in this case. Companies that are prosecuting, acquiring, or litigating software patents should be aware of the various approaches taken by the judges in these opinions, consider how each approach might affect their business strategy, and monitor further developments in this area of uncertainty.

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