

The NYIPLA Advocates for Clarification on Patent-Eligible Subject Matter in an Amicus Brief to the Supreme Court Regarding *CLS Bank International v. Alice Corp.*

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In a world that now relies on computers for everyday tasks, the area of software and computer-implemented inventions has become essential for innovation. However, it is difficult to define what falls within the scope of a patent-eligible computer-implemented invention under the current legal guidance. Indeed, even the appeals court dedicated to providing uniform standards on patent law, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”), is having a difficult time applying the well-established “abstract idea” exception to patent-eligible subject matter.

In an *en banc* rehearing, the full court at the Federal Circuit remained highly divided as to the proper approach to take in analyzing whether a computer-implemented invention is patent eligible under 35 U.S.C. § 101. See *CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269 (Fed. Cir. 2013) (“*CLS III*”). Unpredictability in the patent system is harmful to the U.S. economy as well as the patent system as a whole. Judicial clarity and reliability are important parts of a functioning patent system. For these reasons, although it did not take a position on the ultimate validity of the claims at issue, the NYIPLA submitted an *amicus curiae* brief in support of Alice’s petition for a writ of certiorari to urge the Supreme Court to clarify the abstract idea exception to patent eligibility as applied to computer-implemented inventions.

Patent Eligibility of Computer-Implemented Inventions Under Section 101

The Supreme Court has been developing jurisprudence on the “abstract idea” exception as applied to computer-implemented inventions since before personal computers were available for widespread use.

In *Bilski v. Kappos*, the Supreme Court reaffirmed the general principles that govern patent-eligible subject matter under Section 101, as synthesized in *Diamond v. Diehr*. The Court has consistently framed the inquiry based on the following two questions:

1. Does the claimed subject matter fall within one of the four statutory categories of patent-eligible subject matter: (i) process, (ii) machine, (iii)

manufacture, or (iv) composition of matter (or any improvement thereof)?

2. If so, is the claimed subject matter directed to one of three so-called “fundamental principles,” *i.e.*, laws of nature, natural phenomena or abstract ideas, which are exceptions to patent-eligible subject matter?

See *Bilski v. Kappos*, 561 U.S. ___, 130 S. Ct. 3218, 3225 (2010); *Diamond v. Diehr*, 450 U.S. 175, 185 (1981) (harmonizing, *inter alia*, *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980), *Parker v. Flook*, 437 U.S. 584, 589 (1978), and *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)).

However, there has been much debate as to how to apply this second step; in other words, how to analyze whether claims are directed to one of the three judicially enumerated fundamental principles, which are not patent eligible. In the case of computer-implemented inventions, the question is whether the claims are precluded from patent eligibility as preempting an “abstract idea.”

In *Bilski v. Kappos*, the Supreme Court reaffirmed its previous precedent in *Diehr* and rejected the machine-or-transformation test as the sole test for deciding whether an invention is a patent-eligible “process.” Instead, it recognized that: (1) the machine-or-transformation test is a useful, but not dispositive, tool, (2) while a claim that preempts an abstract idea is not patent eligible, the *application* of an abstract idea may be patent-eligible subject matter, and (3) claims should be considered as a whole for abstractness. *Bilski*, 130 S. Ct. at 3227, 3230 (citing *Diehr*, 450 U.S. at 187-88).

Although the Court in *Bilski* declined to use the machine-or-transformation test exclusively, it openly encouraged the Federal Circuit to continue to try to delineate other limiting criteria to patent-eligible subject matter. *Id.* at 3231. Since *Bilski*, however, the Federal Circuit has yet to develop a definitive and consistent approach to this Section 101 analysis and, as a result, judicial analysis of “abstract ideas” has become muddled.

The Federal Circuit’s variability in its approaches to Section 101 stems from a divergence of views at the Federal Cir-

cuit regarding how much of a bar patent eligibility should be to obtaining a claim:

1. Some judges have required that claims must be “manifestly abstract” in order to be patent ineligible under Section 101. *See e.g., MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1264 (Fed. Cir. 2012); *Classen Immunotherapies, Inc. v. Biogen Idec*, 659 F.3d 1057, 1065-66 (Fed. Cir. 2011); *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1327 (Fed. Cir. 2011), *cert. granted, vacated and remanded*, 132 S. Ct. 2431 (2012), *rev’d and remanded*, 722 F.3d 1335 (Fed. Cir. 2013), *petition for cert. pending* (U.S. Aug. 23, 2013) (No. 13-255); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859, 868 (Fed. Cir. 2010).

2. Other judges have used Section 101 as a “fine sieve,” searching for abstractness by parsing out the claim or insisting on a “robust application” of Section 101 prior to analysis under Sections 102, 103, or 112. *See, e.g., Bancorp Services, L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1279 (Fed. Cir. 2012); *MySpace*, 672 F.3d at 1269 (Mayer, J., dissenting) (“[a] robust application of section 101 is required to ensure that the patent laws comport with their constitutionally-defined objective.”); *see also Highmark, Inc. v. Allcare Health Mgmt. Sys.*, 687 F.3d 1300, 1324 (Fed. Cir. 2012), *cert. granted on other grounds*, No. 12-1163, 2013 U.S. LEXIS 5130 (U.S. Oct. 1, 2013) (“Where, as here, a patent describes an abstract idea, but discloses no new technology or “inventive concept,” ... for applying that idea, a robust application of section 101 at the summary judgment stage will save both courts and litigants years of needless litigation.”) (Mayer, J., dissenting).

3. Still other Federal Circuit judges have taken a middle approach: using Section 101 as a “coarse filter” under which abstractness still must be “manifestly evident,” but under which the claims are also broadly evaluated for “meaningful limits,” such as meeting the machine-or transformation test or including more than a mere field-of-use restriction. *See, e.g., Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1331, 1333-34 (Fed. Cir. 2012); *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011).

The diverse positions underlying these various opinions helps explain why, as the Federal Circuit openly admits, “[d]efining ‘abstractness’ has presented difficult problems.” *Ultramercial*, 722 F.3d at 1342.

Proceedings in *CLS Bank v. Alice*

The tensions among the Federal Circuit judges in divining the correct approach to a Section 101 analysis became especially apparent within the six opinions issued in *CLS III*, all with varying rationales supporting their conclusions as to whether the claims at issue were patent eligible. On September 4, 2013, seven years after *CLS Bank International* (“CLS”)

brought suit against Alice Corporation (“Alice”), seeking a declaratory judgment of non-infringement, patent invalidity, and patent unenforceability, Alice filed a petition for a writ of certiorari with the Supreme Court. The four patents at issue involve system, method, and computer-readable media claims concerning a computerized trading platform.

In 2011, the U.S. District Court for the District of Columbia granted CLS’s motion for summary judgment, finding all of the claims at issue patent ineligible under Section 101. 768 F. Supp. 2d 221. Alice appealed to the U.S. Court of Appeals for the Federal Circuit, where a split judicial panel reversed the District Court decision to find all of the claims patent eligible. 685 F.3d 1341 (2012).

After granting CLS’s petition for rehearing the case *en banc*, the Federal Circuit in *CLS III* affirmed the District Court decision that all of the claims were directed to patent-ineligible subject matter. The *CLS III* decision consisted of a *per curiam* opinion, in which a majority of the court agreed that the method and computer-readable media claims were patent ineligible, but remained split as to the subject matter eligibility of the asserted system claims. The *per curiam* opinion was accompanied by six separate opinions spanning 128 pages of divergent supporting reasoning.

There was no clear majority rationale as to the validity of the claims under Section 101 or the approach to a Section 101 analysis generally. The plurality opinion written by Judge Lourie supports an analysis that identifies the fundamental concept in the claim and then evaluates the claim “to determine whether it contains additional substantive limitations that narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.” *CLS III*, 717 F.3d at 1282 (Lourie, J., concurring). This suggested methodology was met with resistance from other judges, who thought the identification of the fundamental concept in the claim was akin to “hunting for abstractions by ignoring the concrete, palpable, tangible limitations of the invention the patentee actually claims,” and that it adds an improper “inventiveness” factor to the inquiry. *Id.* at 1298, 1302 (Rader, C.J., concurring-in-part, dissenting-in-part); *id.* at 1313, 1315 (Moore, J., dissenting-in-part). Judge Newman expressed disappointment with the “judicial deadlock,” and proposed a return to the statutory language of Section 101, and thus an abandonment of the judicial exceptions to patent-eligible subject matter. *Id.* at 1321, 1326 (Newman, J., concurring-in-part, dissenting-in-part). Judge Rader also insisted on a return to the statute, explaining that Section 101 “offers a patent to both inventions and discoveries,” and should not be used as an invalidity defense to infringement. *Id.* at 1335 (Rader, C.J., additional reflections).

CLS III is a prime example of how the Federal Circuit’s recent decisions on Section 101 “spend page after page revisiting [its] cases and those of the Supreme Court, and still [the judges] continue to disagree vigorously over what is or

is not patentable subject matter.” *Accenture Global Servs. v. Guidewire Software, Inc.*, 728 F.3d 1336, 1348 (Fed. Cir. 2013) (Rader, C.J., dissenting) (quoting *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1259 (Fed. Cir. 2012)).

The NYIPLA Amicus Brief

The NYIPLA previously submitted an amicus brief to the Federal Circuit in *CLS III*, arguing that the mere presence of a computer in a claim should not alter the fundamental analysis as to whether the claim as a whole preempts an abstract idea. In the face of the resulting highly divisive *en banc* decision, the NYIPLA recently filed another amicus brief regarding the case, to support Alice’s petition for a writ of certiorari in the hope of obtaining some clarifying guidance from the Supreme Court on the application of a Section 101 analysis to computer-implemented claims.

In its latest amicus brief for the Supreme Court, the NYIPLA offered no opinion on the merits of the claims at issue, but explained how the law on patent eligibility has become confused, as exemplified by the fractured *en banc* Federal Circuit opinion and confusion in the district courts. The brief pointed to cases like *Zillow, Inc. v. Trulia, Inc.*, which had deferred ruling on a Section 101 issue in anticipation of the *en banc* decision in *CLS III*. Because the *CLS III* decision did not achieve “the hoped for clarity with respect to the test the court should apply” in analyzing patent eligibility under Section 101, the district court in that case continued to delay deciding the Section 101 issue until after claim construction. *Zillow, Inc. v. Trulia, Inc.*, No. C12-1549JLR, 2013 U.S. Dist. LEXIS 127606, at *5 (W.D. Wash. Sept. 6, 2013). Several other cases decided after *CLS III* demonstrate that district courts have been left without guidance as to how to pick from the various proffered approaches, with each approach potentially leading to a different outcome. For instance, in *Planet Bingo, LLC v. VKGS, LLC*, the district court explained that “despite the seeming futility of adopting one of the non-precedential approaches from *CLS Bank*, [it would] endeavor to follow the law as it sees it.” *Planet Bingo, LLC v. VKGS, LLC*, No. 1:12-CV-219, 2013 U.S. Dist. LEXIS 116898, at *11 (W.D. Mich. Aug. 19, 2013). These early examples of uncertainty regarding the proper application of a Section 101 analysis emphasize the need for guidance by the Supreme Court.

The NYIPLA brief argued that Supreme Court clarification is necessary in this area of the law because patents play a vital role in the economy and courts need consistent precedent to follow to preserve judicial resources and provide reliable judgments. It concluded by stressing that the Federal Circuit’s decision to rehear this case *en banc*, the demonstrated widespread interest in the outcome of the case, and the plethora of opinions on the issue make this case particularly appropriate for Supreme Court review.



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