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Is the Federal Circuit's *CLS Bank v. Alice Corp.* decision a cry
for help from the Supreme Court?

by

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On Friday, the Federal Circuit issued its long anticipated decision in *CLS Bank Int'l v. Alice Corp.*, No. 2011-1301, slip op. (Fed. Cir. May 10, 2013) (*en banc*) (*per curiam*). This *en banc* decision promised to bring decades of uncertainty to rest by answering two questions of critical importance to the computer industry:

- 1) What test should the court adopt to determine whether a computer-implemented invention is a patent ineligible "abstract idea"; and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise patent-ineligible idea?
- 2) In assessing patent eligibility under 35 U.S.C. § 101 of a computer-implemented invention, should it matter whether the invention is claimed as a method, system, or storage medium; and should such claims at times be considered equivalent for § 101 purposes?

CLS Bank Int'l v. Alice Corp., 484 F. App'x. 559 (Fed. Cir. 2012).

Unfortunately, the Federal Circuit's decision did nothing to provide clarity and, in fact, perhaps made the interpretation of § 101 more uncertain. The Federal Circuit was unable to muster a majority to answer either *en banc* question. Instead, the Federal Circuit issued a one-paragraph, *per curiam* opinion merely stating that the majority of the Judges affirmed the patent ineligibility of the method and computer-readable medium claims at issue and that the Judges split evenly on the patent eligibility of the system claims, resulting in a patent-ineligibility affirmance of the lower court's decision for those claims. No rationale was provided.

The computer industry has waited nearly three years after the Supreme Court's *Bilski v. Kappos*, 130 S. Ct. 3218 (2010) decision for the Federal Circuit to provide *en banc* guidance on exactly what the contours are for patentable subject matter under 35 U.S.C. § 101. In the *Bilski* decision, the Supreme Court rejected the Federal Circuit's attempt to use the machine-or-transformation test² as the sole test for determining patentable subject matter for method claims, and encouraged

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² The machine or transformation test states that a claimed process is patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. *Bilski*, 130 S. Ct. at 3224.

the Federal Circuit to develop another test consistent with the statute that defines patentable subject matter, § 101. *Id.* at 3231. The Supreme Court decided *Bilski* narrowly on its facts, issuing a majority opinion joined by only five Justices. *Id.* at 3223, 3231.

During this three-year wait, the Supreme Court provided even further guidance on what constitutes patentable subject matter in *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289 (2012). In *Mayo*, the Supreme Court issued a unanimous decision in which it seemingly resurrected the point-of-novelty test³ first announced in *Parker v. Flook*, 437 U.S. 584, 591-94 (1978), even though that test was resoundingly repudiated in *Diamond v. Diehr*, 450 U.S. 175, 181 (1981). *See Mayo*, 132 S. Ct. at 1298, 1304. *CLS* thus represented the perfect opportunity for the Federal Circuit to instruct practitioners on how to determine patent eligibility for computer-related inventions as a whole, not just method claims. The Federal Circuit, unfortunately, missed this opportunity to clarify the law.

In addition to the *per curiam* opinion, the *CLS* decision contained six other opinions, including one opinion entitled, “Additional Reflections of Chief Judge Rader.” These six opinions total well over 100 pages, none of which has any precedential value. *CLS* slip op. at 1 n.1 (Rader, C. J., concurring). The only part of the *CLS* slip opinion with any precedential value is the two-sentence *per curiam* opinion, which contains no rationale whatsoever.

Nevertheless, the six opinions provide some helpful insight into the thinking of the majority of the Judges. Most importantly, at least nine Federal Circuit Judges do not interpret the Supreme Court’s *Mayo* decision as resurrecting the point-of-novelty test. For example, Judge Lourie, with whom Judges Dyk, Prost, Reyna and Wallach joined, stated the following:

The requirement for substantive claim limitations beyond the mere recitation of a disembodied fundamental concept has “sometimes” been referred to as an “inventive concept.” *See Mayo*, 132 S. Ct. at 1294 (citing *Flook*, 437 U.S. at 594). We do not read the Court’s occasional use of that language in the § 101 context as imposing a requirement that such limitations must necessarily exhibit “inventiveness” in the same sense as that term more commonly applies to two of the statutory requirements for patentability, *i.e.*, novelty and nonobviousness. *See* 35 U.S.C. §§ 102, 103. The phrase “inventive concept” originated with *Flook*, yet the Court began its discussion of § 101 in that case by stating that the question of patent eligible subject matter “does not involve the familiar issues of novelty and obviousness that routinely arise under §§ 102 and 103.” 437 U.S. at 588.

CLS slip op. at 19 (Lourie, J., concurring). Likewise, Chief Judge Rader, with whom Judges Linn, Moore and O’Malley joined, stated:

Prometheus used the language of “inventive concept” to describe the “other elements or a combination of elements . . . sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself”

³ The point-of-novelty test considers whether the claim without the abstract idea would be otherwise novel. *Parker v. Flook*, 437 U.S. at 594.

and described purported limitations as “routine” or “conventional.” 132 S. Ct. at 1294, 1298-99. Such language should not be read to conflate principles of patent eligibility with those of validity, however. Nor should it be read to instill an “inventiveness” or “ingenuity” component into the inquiry.

The eligibility inquiry is not an inquiry into obviousness, novelty, enablement, or any other patent law concept.

CLS slip op. at 22 (Rader, C. J., concurring).

Thus, these nine Judges agreed that the proper § 101 inquiry does not involve a novelty assessment, but rather involves a determination of whether the claim includes meaningful limitations beyond an abstract idea. *CLS* slip op. at 16 (Rader, C. J., concurring); *CLS* slip op. at 16 (Lourie, J., concurring). There was no agreement, however, on what makes a limitation *meaningful*.

The nine Judges also apparently agreed that broad claims do not necessarily fail the § 101 inquiry:

[B]road claims do not necessarily raise § 101 preemption concerns, and seemingly narrower claims are not necessarily exempt. What matters is whether a claim threatens to subsume the full scope of a fundamental concept. . . .

CLS slip op. at 16 (Lourie, J., concurring).

These examples illustrate that the inquiry under the abstract ideas exception deals not merely with breadth, because the “hot air” claims were broad and covered many “mechanical arrangements” but yet found patent eligible. The concern, which has become clearer through the Supreme Court’s more recent precedents, is whether the claim seeks to patent an idea itself, rather than an application of that idea.

CLS slip op. at 16 (Rader, C. J., concurring).

The *CLS* decision shows that the Federal Circuit was unable to decide upon a twenty-first century test for patent-eligible subject matter. This appears to be a clear invitation for the Supreme Court to clarify this area of law, and in fact, this is exactly what Judge Moore suggested:

It has been a very long time indeed since the Supreme Court has taken a case which contains patent eligible claims. This case presents the opportunity for the Supreme Court to distinguish between claims that *are* and *are not* directed to patentable subject matter.

CLS slip op. at 3 (Moore, J. dissenting-in-part).



In the meantime, there is much confusion as to the proper test for determining the metes and bounds of § 101. Patent litigation defendants should take advantage of this situation by raising a § 101 defense in every case where it makes sense. If raised in the context of a motion to dismiss, such an early motion could result in a win without having to incur the bulk of the litigation-related expenses. At a minimum, even if the motion loses, the defendant can gain valuable time to bolster its other defenses. Additionally, petitioners using the new post grant review and covered business method review proceedings at the US Patent and Trademark Office's Patent Trial and Appeal Board should also consider using challenges based on § 101.

Prosecution practitioners need to proceed cautiously because it may take years before receiving clear guidance. While the Courts and the Patent Office struggle to formulate their § 101 tests, prosecution practitioners should ensure that their claims include meaningful limitations beyond any purported law of nature or abstract idea: the more computer-tying limitations, the better. However, it seems imprudent to dramatically alter prosecution strategies until such time as the Supreme Court speaks on this issue or until the Federal Circuit provides clear guidance.

Given the deep divide among the Federal Circuit Judges, until the Supreme Court weighs in and clarifies this area, the result of each Federal Circuit § 101 panel decision will be determined based on the composition of the panel. Thus, the most important day during a Federal Circuit § 101 appeal is the day of the oral argument – not because of the oral argument itself, but because that is when the parties learn of the Judges assigned to their case.

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