

What Did the Court Really Say About Patent Eligibility?

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Implications of *Alice v. CLS Bank*

Late last week, the United States Supreme Court decided *Alice Corp. Pty. Ltd. v. CLS Bank Int'l, et al.*, a case the technology community had hoped would clarify what kinds of software and business method inventions can be patented. Instead, the Supreme Court issued a unanimous but narrow decision that invalidated the asserted patents because they claimed what the Court said was an “abstract idea”: a method for mitigating certain financial risks. The fact that the method was implemented in software made no difference. Writing for the Court, Justice Thomas reasoned that “merely requiring generic computer implementation” of the abstract idea failed to transform it into a patent-eligible invention.

The issues raised in the *Alice* case affect the patent-eligibility of hundreds of thousands of software patents, as well as many patents claiming telecommunications, financial, and business method inventions. Unfortunately, the decision provided little meaningful clarification of which patents in these fields are valid and which are “abstract ideas.” This suggests that challenges to patent-eligibility will continue to be a source of uncertainty in litigation and a hurdle in patent prosecution.

Section 101 of the Patent Act allows inventors to seek patents in four broad categories: processes, machines, manufactures, and compositions of matter. In past decisions, however, the Supreme Court has narrowed these categories by declaring that “laws of nature,” “products of nature,” and “abstract ideas” cannot be patented. As the Court explained in *Alice*, these categories represent the “building blocks of human ingenuity”; patents drawn to such building blocks may “inhibit further discovery.”

The Court did acknowledge that “[a]t some level, ‘all inventions ... embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” Thus, it suggested that an invention directed to a patent-ineligible concept can still be eligible for a patent if it “integrate[s] the building blocks into something more.” The decision continues the Court’s recent insistence that some “inventive concept” be added to the “building blocks” for a claim to be patent-eligible. The Court’s focus on “inventive concept[s]” seems to import into the patent-eligibility question some of the other hurdles a claim must surmount: that it be novel and not obvious. Previously, practitioners had regarded patent-eligibility as a wholly separate requirement – and a low bar at that – unrelated to the other requirements in the Patent Act.

The Court’s other recent decisions had spurred the Patent Office to issue new guidelines in March on how claims would be examined under Section 101, the patent-eligibility provision of the Patent Act. These guidelines were widely criticized because they suggested that examiners should consider rejecting any claim with even a single element that involved an abstract idea, a law of nature, or a product of nature. The *Alice* opinion, in contrast, views a claim synergistically: it looks at how the claim arranges the “building blocks” as a whole, or in combination, rather than examining each block independently. Thus, the *Alice* opinion may provide some helpful guidance to the Patent Office as it revises its new guidelines – even though it brings no certainty to the question of the patent-eligibility of software and business methods.

Implications

Some commentators have suggested that the decision will invalidate the majority of software patents in force today. We disagree. The Court’s reasoning suggests that the opinion should have only limited impact on software patents outside the financial industry. In fact, the Court did not even question the possibility of software patents on business methods. In a concurring opinion, Justice Sotomayor suggested that business methods should not be patent-eligible at all, but only Justices Ginsburg and Breyer joined her opinion. Even so, it does seem clear that general business concepts like risk hedging are not patent-eligible and cannot be made so by generic computer

implementation. And the Court made clear that a “system” claim was no better than a “method” claim if it merely implements an “abstract idea,” because implementing the “abstract idea” using a computer does not make it less abstract.

Because the opinion provides only general, theoretical guidance, the implications for litigation are simple enough: disputes over patent-eligibility will continue to increase. For patent prosecution, the opinion may increase confusion because it suggests that patent-eligibility should be viewed through the lens of novelty and non-obviousness. The decision will force patent owners and applicants to focus on innovative aspects of their inventions that go beyond the “building blocks.” For example, software that controls robotic placement of a part or interactively controls biochemical reactions in realtime goes well beyond an abstract idea. Where possible, both a patent’s written description and its claims should emphasize the centrality of a physical embodiment that is necessary to achieve the utility of the invention.

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