Closely Watched Appeals Court Ruling Provides Limited Guidance on Future of Computer and Software Patents

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Earlier this month, the Federal Circuit Court of Appeals issued its *en banc* decision in *CLS Bank v. Alice Corp.* (*CLS*), which was expected to clarify the standard for patent eligibility of computer-implemented inventions. Instead, the one-paragraph, *per curiam* decision reflected a serious divide in the court concerning the future of computer and software patents. The immediate effect of the split was to affirm the trial court's ruling that the claims at issue were merely "abstract ideas" and ineligible for patent protection. The 128-pages of non-precedential opinions that followed will have more uncertain effects. Four of the judges forecasted one dire possibility: "this case is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunications patents."

Because of this uncertainty concerning the patentability of computer-related technologies, businesses will need to adjust their strategies going forward to ensure that they are obtaining valuable patent protection. This alert suggests several strategic best practices, based on the apparent points of agreement in *CLS* and other recent Federal Circuit opinions.

The *CLS v. Alice* Opinions

The patent claims at issue in *CLS* were directed to computerized trading platforms using a third-party settlor to reduce risk to the parties. The claims took three forms. The first set claimed "methods" for exchanging transaction obligations. A second set recited a "computer readable storage medium" containing a program for exchanging obligations. The last set claimed "systems" comprising data storage and a computer for exchanging obligations.

Seven of the ten judges—in two opinions by Judge Lourie and Chief Judge Rader—concluded that the method and computer-media claims were merely "abstract ideas" and thus not eligible for patenting under Section 101 of the patent statute. The judges split evenly (5-5), however, as to whether the "system" claims were patent eligible, resulting in an affirmance of the trial court's decision that they were not.

Judge Lourie's opinion articulated a test for patent-eligibility that focused on "the practical likelihood of a claim preempting a fundamental concept." If the claim includes a "fundamental concept," the test evaluates whether the claim ties up *all* uses of the concept, or whether the claim adds limitations that "narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself." Judge Lourie explained that the test ensures the addition of a "genuine human contribution" or something "more than a trivial appendix." Applying this test, none of the claims at issue were directed to patent eligible subject matter.

Chief Judge Rader's opinion articulated an alternative test focused on "whether a claim includes *meaningful* limitations restricting it to an application, rather than merely an abstract idea." The "key" to this inquiry for computer inventions "is whether the claims tie the otherwise abstract idea to a *specific way* of doing something with a computer, or a *specific computer* for doing something." Under this test, the "system" claims were patent eligible, but the method and media claims were not.

These two opinions were followed by three additional opinions concurring and joining in various respects. In the end, only three of the ten judges expressed an opinion that *all* of the claims at issue were patent eligible. All of the judges suggested some doubt about the claims' novelty and non-obviousness, although those questions of patentability (as distinct from patent eligibility) were not addressed in this case.

In sum, the patent-eligibility of computer-implemented claims will remain a murky gateway issue in any enforcement action leading to

additional, expensive litigation, as Judge Newman lamented in her opinion.

Common Threads and Best Practices

From the *CLS* case, and other decisions, it appears that all of the judges of the Federal Circuit agree that at least *some* patent claims relating to "fundamental concepts" implemented in software or computer systems should be eligible for patent protection. The U.S. Patent & Trademark Office will not implement any immediate change in its current examining procedure in light of the *CLS* opinions. Taking the recent opinions together, we can identify several guides to help practitioners find the line between patent eligibility and ineligibility, until a test is more clearly articulated by a majority of the Federal Circuit or the Supreme Court

1. Include "system" claims. Although eight of the ten judges in *CLS* believed that the method, media, and system claims at issue should rise and fall together, the system claims at issue presented the closest case for patent eligibility. System claims, reciting physical structures, are closer to the concept of a "machine" specifically mentioned in Section 101 of the patent statute as patent eligible.
2. Where use of a computer is "integral" or "essential" to the claimed process, such as where the process could not performed manually (*i.e.*, a process using a GPS receiver, or a process that modifies a particular digital file), include such a limitation expressly.
3. Draft claims to recite computerized steps and components specifically, avoiding reliance upon recitation of general purpose computers or the "ubiquitous" functions of "calculation, storage, and connectivity." The use of software or hardware to make a manual process faster or more efficient, without more, will probably not be patent eligible. Courts will strip away general-purpose language and examine the balance of the claim for requirements relating to specific features of the computer or software that improve upon other possible processes.
4. Be aware that limitations narrowing the use of a computer-implemented process to a particular field of use (such as for real estate transactions), which were referred to by the court as "bare" or "hollow," generally will not create patent eligibility if the claim still covers all uses of an idea or concept within that field.

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