

Federal Circuit's Split Decision on Software Patents in *CLS Bank* Satisfied No One and Confused All

By Evan Finkel

On Friday, May 10, 2013, the Federal Circuit issued an opinion that was supposed to clarify the test for determining whether an invention implemented using a computer is for an "abstract idea" that is ineligible for patent protection. Instead, the Court did the exact opposite. Let the games begin.

I. The Windup

Section 101 of the patent statute lists the categories of subject matter eligible for patent protection as including "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."¹ The Supreme Court long ago indicated that the four classes of statutory subject matter listed "include[s] anything under the sun that is made by man" with three extremely limited exceptions.² The exceptions are "laws of nature, physical phenomena, and abstract ideas."³ To be entitled to a patent, the applicant must still demonstrate that the invention meets the other requirements of the patent statute, such as being novel and unobvious.⁴ Thus, Section 101 less the three judicially-created exceptions defines whether an invention is eligible for patent (*i.e.*, "patent-eligibility" or "patent-eligible subject matter"), while other statutory sections define whether the invention represents a sufficient contribution to the store of knowledge to be worthy of receiving the legal monopoly that a patent affords (*i.e.*, "patentability").

Now, a software program running on a computer is a "machine," and a method of doing business whether implemented in software or on paper, is a "process," as required by Section 101. But the Federal Circuit was tasked with responsibility for promulgating a test for determining whether a software program or business method is nevertheless a patent-ineligible "abstract idea." The Federal Circuit embraced that responsibility with gusto, defining a bright-line standard known as the Machine-or-Transformation ("MOT") test. An en banc panel of the court held that "[a] claimed process is surely patent-eligible under §101 if: (1)

¹ 35 U.S.C. § 101.

² *Diamond v. Chakrabarty*, 447 U. S. 303, 309 (1980) (quoting 182 S.Rep. No.1979, 82d Cong., 2d Sess., 5 (1952) and H.R.Rep. No.1923, 82d Cong., 2d Sess., 6 (1952)).

³ *Chakrabarty*, at 309.

⁴ See 35 U.S.C. §§ 102 and 103.

it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.”⁵ The court concluded this “machine-or-transformation test” is “the sole test governing §101 analyses,”⁶ and thus the “test for determining patent eligibility of a process under §101.”⁷ Thus, while lower courts would still have to grapple with determining whether the MOT test was met on a case-by-case basis, at least the court had a bright-line test.

However, the Supreme Court could not help itself and decided to grant *certiorari* and weigh in on the subject.⁸ In the Supreme Court’s view, the MOT test is a “useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under §101.”⁹ However, the MOT test “is not the sole test for deciding whether an invention is a patent-eligible ‘process.’”¹⁰ Thus, a claim may be patent-eligible even if it does not meet the MOT test.¹¹ The Supreme Court declined to answer the immediate and logical question that stems from its decision: What are the other tests to be considered by the lower courts? Instead the Supreme Court advised that “The Court, therefore, need not define further what constitutes a patentable ‘process,’ beyond pointing to the definition of that term provided in §100(b) and looking to the guideposts in *Benson*, *Flook*, and *Diehr*.”¹² That was a reference to a trilogy of Supreme Court decisions, the last of which was decided thirty years ago.¹³ The Supreme Court did, however, graciously suggest that the Federal Circuit should work on the “development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text [of Section 101].”¹⁴ The Supreme Court also held that the term “process” does not categorically exclude business methods and thus whether a business method was patent-eligible would be decided under the same **undefined** standard as all other types of patents.¹⁵ And in its subsequent *Mayo* decision, the Supreme Court conferred a level of primacy to the Section 101 analysis, by flatly rejecting, as “not consistent with prior law,” the view that patent-eligibility of claims under § 101 should be determined after the claims are evaluated under 35 U.S.C. § 102 (novelty), § 103 (non-obviousness) and § 112 (adequacy of disclosure).¹⁶ The Supreme Court endorsed proceeding first with “the better established inquiry under § 101.”¹⁷

The Federal Circuit and the district courts have been struggling with the issue for the last three years, rendering decisions that are simply irreconcilable with one another. Federal Circuit panels called upon to determine the patent-eligibility of computer-implemented inventions based on similar fact patterns often arrived at contradictory conclusions, some finding the patent claims patent-eligible and others finding the opposite.¹⁸



⁵ See *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008) (en banc), *aff'd*, *Bilski v Kappos*, 130 S. Ct. 3227 (2010).

⁶ *Id.*, at 955.

⁷ *Id.*, at 956.

⁸ *Bilski v Kappos*, 130 S. Ct. 3227 (2010).

⁹ *Id.*, 130 S. Ct. at 3227.

¹⁰ *Id.*

¹¹ *Id.*, at 3226-27.

¹² *Id.*, 130 S. Ct. at 3231.

¹³ *Gottschalk v. Benson*, 409 U.S. 63 (1972), *Parker v. Flook*, 437 U.S. 584 (1978), and *Diamond v. Diehr*, 450 U.S. 175 (1981).

¹⁴ *Id.*, 130 S. Ct. at 3231.

¹⁵ *Id.*, § II.C at 3228-3229.

¹⁶ *Mayo Collaborative Servs. v. Prometheus Labs. Inc.*, 132 S. Ct. 1269, 1303-04 (2012).

¹⁷ *Id.*, 132 S. Ct. at 1304.

¹⁸ *Compare Bancorp Servs., LLC v. Sun Life Assurance Co. of Can.*, 687 F.3d 1266 (Fed. Cir. 2012) (computer-implemented business method for administering and tracking the value of life insurance policies in separate accounts – patent-ineligible); *CLS Bank International v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012) (computer-implemented trading platform used for conducting financial transactions in which a trusted third party settles obligations between a first and second party so as to eliminate “settlement risk” - patent-eligible); *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011) (computer-implemented means for distributing copyrighted works over the Internet by requiring viewer to first watch ad – patent-eligible).

II. The Pitch

In *CLS Bank*, the claimed subject matter of Alice's patents related to a computerized trading platform for exchanging obligations by way of a trusted third party to eliminate settlement risk for the exchanging parties. The asserted claims of the Alice patents included method (process) claims, system (apparatus / machine) claims, and software claims (*i.e.*, a computer program stored on a computer-readable medium). The district court ruled that all the asserted claims were invalid for being directed to an abstract idea that is patent-ineligible subject matter under § 101.¹⁹ On appeal, in a 2-to-1 decision on July 9, 2012, a three-judge panel of the Federal Circuit reversed the district court's decision and held that Alice's patent claims were directed to patent-eligible subject matter under § 101.²⁰ A few weeks later, on July 26, 2012, another three-judge panel in *Bancorp* ruled that comparable claims were patent-ineligible.²¹

The *CLS Bank* and *Bancorp* decisions were wholly irreconcilable both as to result and standard applied for determining patent-eligibility. The patent bar and their clients naturally cheered when the Federal Circuit vacated its earlier three-judge panel decision in *CLS Bank*, and agreed to decide en banc the answer to the questions on everyone's mind: "a. 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? b. 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?"²²

III. The Strikeout

The *CLS Bank* ten-judge²³ en banc panel's May 10, 2013 decision failed to provide any answer to the specific questions posed for plenary review.²⁴ Instead, the Court issued a two-line per curiam opinion affirming the district court's holding that none of the claims were directed to patent-eligible subject matter under § 101. More specifically, "a majority of the court affirms the district court's holding that the asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101."²⁵ Regarding the system claims, however, the district court holding of patent-ineligibility was affirmed only because the Federal Circuit judges were "equally divided," which means that "the district court's holding that the asserted system claims are not directed to eligible subject matter under that statute" stands.²⁶ Beyond its curt per curiam opinion, a fractured court of ten judges left the law unsettled, with various groups of judges teaming up to write no less than five separate opinions²⁷ supplemented by "Additional Reflections of Chief Judge Rader."

■ remanded for reconsideration by the Federal Circuit in view of *Mayo, Wildtangent, Inc. v. Ultramercial, LLC*, 132 S. Ct. 2431 (2012).

¹⁹ *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 768 F.Supp.2d 221, 255 (D.D.C. 2011).

²⁰ *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1356 (Fed. Cir. 2012).

²¹ *Bancorp Servs., LLC v. Sun Life Assurance Co. of Can.*, 687 F.3d 1266 (Fed. Cir. 2012) (system and method claims to a computer-implemented business method for administering and tracking the value of life insurance policies in separate accounts).

²² *CLS Bank Intern. v. Alice Corp. Pty. Ltd.*, 484 Fed.Appx. 559 (Fed. Cir. 2012).

²³ Chief Judge Rader, and Judges Dyk, Linn, Lourie, Moore, Newman, O'Malley, Prost, Reyna, and Wallach.

²⁴ *CLS Bank Intern. v. Alice Corp. Pty. Ltd.*, 2013 WL 1920941 (Fed. Cir. 2013).

²⁵ *Id.*, 2013 WL 1920941, *1. To be exact, seven judges (Chief Judge Rader, and Judges Lourie, Dyk, Prost, Reyna, Wallach, and Moore) found the asserted method and computer-readable media claims patent-ineligible.

²⁶ *Id.* Chief Judge Rader, and Judges Moore, Linn, Newman, and O'Malley found the system claims patent-eligible, while Judges Dyk, Lourie, Prost, Reyna, and Wallach found the opposite.

²⁷ (1) Judge Lourie filed a concurring opinion, joined by Judges Dyk, Prost, Reyna, and Wallach ("Lourie Op."). (2) Chief Judge Rader filed a concurring-in-part and dissenting-in-part opinion, joined by Judge Moore, and joined by Judges Linn and O'Malley for all but part VI of that opinion ("Rader Op."). (3) Judge Moore filed a dissenting-in-part opinion, joined by Chief

Regarding the proper analysis for evaluating patent-eligibility, a majority of the judges appeared to agree on a few basic legal principles. A claim that falls within one of the categories listed in Section 101 is patent-eligible unless it falls within one of the three judicially-created exceptions.²⁸ There is no “bright line” test for determining patent-eligibility - *i.e.*, whether one of three exceptions (*e.g.*, the abstract idea exception) applies.²⁹ To be patent-eligible, the abstract idea recited in the claim must be accompanied by either something “significantly more”³⁰ or by “meaningful limitations.”³¹ The references to an “inventive concept” in the Supreme Court decisions on this subject should not be interpreted as imposing a requirement of inventiveness of the level required under Sections 102 (novelty) and 103 (non-obviousness).³² The statutory presumption that all claims of a patent are valid,³³ a presumption that stands unless overcome by clear and convincing evidence,³⁴ “probably” applies when § 101 is raised as a basis for invalidity in district court proceedings.³⁵ I say “probably” because four of the nine judges indicated that there is at least one argument for not applying the validity presumption to § 101 challenges that was not fully briefed and might be considered in a later case if properly raised.³⁶ Beyond these few fundamental tenets, however, we are left with a rather unsatisfying and uninformative caldron of competing analytical approaches that will undoubtedly lead to inconsistent and unpredictable results; a nightmare to most patent prosecutors, litigators and their clients.

As to the precedential value of the decision(s) in *CLS Bank*, Judge Rader wrote: “No portion of any opinion issued today other than our Per Curiam Judgment garners a majority. Accordingly, though much is published today discussing the proper approach to the patent eligibility inquiry, ***nothing said today beyond our judgment has the weight of precedent.***”³⁷ So much for those who choose to argue that that *CLS Bank* en banc decision set the record straight in one way or another.



Judge Rader and Judges Linn and O'Malley (“Moore Op.”). (4) Judge Newman filed a concurring-in-part and dissenting-in-part opinion (“Newman Op.”). (5) Judges Linn and O'Malley jointly filed a dissenting opinion (“Linn-O'Malley Op.”).

²⁸ Lourie Op., *17 (“The first question is whether the claimed invention fits within one of the four statutory classes set out in § 101”; “[a]ssuming that condition is met, the analysis turns to the judicial exceptions to subject-matter eligibility.”); Rader Op., *25 (“any analysis of subject matter eligibility for patenting must begin by acknowledging that any new and useful process, machine, composition of matter, or manufacture, or an improvement thereof, is eligible for patent protection”; next “[w]e turn now to the limited exceptions to the broad statutory grant in Section 101 which the Supreme Court has identified.”)

²⁹ Lourie Op., *11 (“there is no easy bright-line test”); Newman Op., *47 (“an all purpose bright-line rule for the threshold portal of § 101 is as unavailable as it is unnecessary”); Rader Op., *28 (“[t]he struggle is in drawing the line between claims that are and are not meaningfully limited”).

³⁰ Lourie Op., *8 (“a patent-eligible claim must include one or more substantive limitations that . . . add ‘significantly more’ to the basic principle, with the result that the claim covers significantly *less* [than the abstract idea]”) (emphasis in original).

³¹ Rader Op., *27 (“[t]he relevant inquiry must be whether a claim includes *meaningful* limitations restricting it to an application, rather than merely an abstract idea”) (emphasis in original).

³² Lourie Op., *10 (reference by Supreme Court to “inventive concept” for patent-eligibility under § 101 should not be read 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” under 35 U.S.C. §§ 102, 103); Rader Op., *24 (rejecting “inventive concept” approach to patent-eligibility, concluding that “any requirement for ‘inventiveness’ beyond sections 102 and 103 is inconsistent with the language and intent of the Patent Act.”); Newman Op., *48 (“section 101 is an inclusive statement of patent-eligible subject matter,” such that if a claim is drawn to one of the categories listed in section 101, attention would turn to “application of the laws of novelty, utility, prior art, obviousness, description, enablement, and specificity.”)

³³ 35 U.S.C. § 282(a) (“A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”).

³⁴ *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011) (“We consider whether § 282 requires an invalidity defense to be proved by clear and convincing evidence. We hold that it does.”).

³⁵ See Lourie Op., 2013 WL 1920941, *12, Rader Op., and 2013 WL 1920941, § III, *32-33.

³⁶ See Rader Op., § III, and *32, n.6 (“In its reply brief, *CLS Bank* intimates that the presumption of validity does not apply because a challenge to patent-eligibility is not a listed defense to infringement under 35 U.S.C. § 282(b). This issue, however, was not fully briefed by the parties and, accordingly, we do not address it.”)

³⁷ Rader Op., n. 1. Judge Lourie responded: “While Chief Judge Rader is correct to note that no single opinion issued today commands a majority, seven of the ten members, a majority, of this en banc court have agreed that the method and computer-readable medium claims before us fail to recite patent-eligible subject matter. In addition, eight judges, a majority,

IV. The Scorecard

As for the ultimate decision on the patent-eligibility of the claims at issue in *CLS Bank*, the scorecard reads as follows:

	Judge	Method	Computer-readable medium	System
1	Lourie, J.	Ineligible	Ineligible	Ineligible
2	Dyk, J.	Ineligible	Ineligible	Ineligible
3	Prost, J.	Ineligible	Ineligible	Ineligible
4	Reyna, J.	Ineligible	Ineligible	Ineligible
5	Wallach, J.	Ineligible	Ineligible	Ineligible
6	Rader, C.J.	Ineligible	Ineligible	Eligible
7	Moore, J.	Ineligible	Ineligible	Eligible
8	Linn, J.	Eligible	Eligible	Eligible
9	O'Malley, J.	Eligible	Eligible	Eligible
10	Newman, J.	Eligible	Eligible	Eligible

Now, let's explore the specific opinions of the various judges.

A. Team Lourie: Opinion by Judges Lourie, Joined by Judges Dyk, Prost, Reyna and Wallach – To Be Patent-Eligible, The Claim Must Add “Significantly More” To the Abstract Idea

Judge Lourie wrote a concurring opinion, joined by four other Judges (Dyk, Prost, Reyna, and Wallach), stating “we would affirm the district court’s judgment in its entirety and hold that the method, computer-readable medium, and corresponding system claims before us recite patent-ineligible subject matter under 35 U.S.C. § 101.”³⁸

The five-judge Lourie Team began by stating the obvious: “[T]he patent-eligibility test has proven quite difficult to apply” leading to inconsistent and unpredictable results.³⁹ “For example, deciding whether or not a particular claim is abstract can feel subjective and unsystematic, and the debate often trends toward the metaphysical, littered with unhelpful analogies and generalizations.”⁴⁰ “What is needed is a consistent, cohesive, and accessible approach to the § 101 analysis—a framework that will provide guidance and predictability for patent applicants and examiners, litigants, and the courts.”⁴¹ Great. If they had actually promulgated such an approach, and then persuaded one more judge to join their team, all would be good in the patent world. They did neither. Instead, Judge Lourie conceded that they sought to define not a bright-line test that would bring certainty, but instead “a flexible, pragmatic approach that can adapt and

■ have concluded that the particular method, medium, and system claims at issue in this case should rise or fall together in the § 101 analysis.” Lourie Op., n.1.

³⁸ 2013 WL 1920941, *1.

³⁹ 2013 WL 1920941, *5.

⁴⁰ *Id.*


⁴¹ *Id.*

account for unanticipated technological advances while remaining true to the core principles underlying the fundamental exceptions to § 101.”⁴²

Judge Lourie explained that “when § 101 issues arise, the same analysis should apply regardless of claim format.”⁴³ Thus, the same analysis applies to method claims, computer-readable medium claims, and system claims. “The first question [in this common analysis] is whether the claimed invention fits within one of the four statutory classes set out in § 101.”⁴⁴ This is a pretty simple condition to meet, as it is hard to imagine a claim for a computer-implemented invention directed to something that is not a “process, machine, manufacture, or composition of matter” within the meaning of § 101.

Second, “[a]ssuming that condition is met, the analysis turns to the judicial exceptions to subject-matter eligibility.”⁴⁵ As part of the second and final step, you must begin the analysis by “unambiguously identify[ing]” the “abstract idea” or “fundamental concept” that “appears wrapped up in the claim.”⁴⁶ Then, you proceed with a “preemption analysis” 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.”⁴⁷ That is, “a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court [*Mayo*, 132 S. Ct. at 1294], add ‘significantly more’ to the basic principle, with the result that the claim covers significantly *less* [than the abstract idea].”⁴⁸ Looking at the “practical, real-world effects of the claim,” the invention claimed must include a “human contribution [that] must represent more than a trivial appendix to the underlying abstract idea.”⁴⁹ “Limitations that represent a human contribution but are merely tangential, routine, well-understood, or conventional, or in practice fail to narrow the claim relative to the fundamental principle therein, cannot confer patent eligibility.”⁵⁰

“Whether a particular claim satisfies the § 101 standard will vary based on the balance of factors at play in each case, and the fact that there is no easy bright-line test simply emphasizes the need for the PTO and the courts to apply the flexible analysis above to the facts at hand.”⁵¹ However, “tangential, routine, well-understood, or conventional” is not “to be confused with novelty or nonobvious analysis.”⁵² “Analyzing patent eligibility, in contrast, considers whether steps combined with a natural law or abstract idea are so insignificant, conventional, or routine as to yield a claim that effectively covers the natural law or abstract idea itself.”⁵³ The reference by the Supreme Court to the requirement of an “inventive concept” for patent eligibility under § 101⁵⁴ should not be read 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” under 35 U.S.C. §§ 102, 103.⁵⁵

 ⁴² 2013 WL 1920941, *9.

⁴³ *Id.*, *17.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*, *10.

⁴⁸ *Id.*, *8 (emphasis in original).

⁴⁹ *Id.*, *11.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*, *12.

⁵³ *Id.*

⁵⁴ *Mayo*, 132 S. Ct. at 1294, citing *Flook*, 437 U.S. at 594.

⁵⁵ 2013 WL 1920941, *10.

Regarding computer claims, Judge Lourie explained that “In a claimed method comprising an abstract idea, generic computer automation of one or more steps evinces little human contribution.”⁵⁶ There should be a “specific or limiting recitation of essential ... or improved computer technology,” rather than simply “insignificant post-solution activity” relative to the abstract idea.⁵⁷ “Furthermore, simply appending generic computer functionality to lend speed or efficiency to the performance of an otherwise abstract concept does not meaningfully limit claim scope for purposes of patent eligibility.”⁵⁸ “At its most basic, a computer is just a calculator capable of performing mental steps faster than a human could. Unless the claims require a computer to perform operations that are not merely accelerated calculations, a computer does not itself confer patent eligibility.”⁵⁹ “In short, the requirement for computer participation in these claims fails to supply an ‘inventive concept’ that represents a nontrivial, nonconventional human contribution or materially narrows the claims relative to the abstract idea they embrace.”⁶⁰

Judge Lourie concluded: “Applying the above considerations to assess the patent eligibility of the specific computer-implemented claims at issue in this appeal, we conclude that the district court correctly held that the asserted claims drawn to methods, computer-readable media, and systems are not patent eligible and are hence invalid under § 101.”⁶¹

B. Team Rader: Opinion by Chief Judge Rader, Joined by Judges Linn, Moore and O’Malley - To Be Patent-Eligible, The Claim Must Add “Meaningful Limitations” To the Abstract Idea

Chief Judge Rader, joined by Judges Linn, Moore and O’Malley, rejected the “inventive concept” approach to patent-eligibility, concluding that “any requirement for ‘inventiveness’ beyond sections 102 and 103 is inconsistent with the language and intent of the Patent Act.”⁶² Judge Rader explained that the Supreme Court’s references to “inventive concept,” and “routine” or “conventional” limitations, “should not be read to conflate principles of patent eligibility with those of validity” or “to instill an ‘inventiveness’ or ‘ingenuity’ component into the [patent-eligibility] inquiry.”⁶³ “The eligibility inquiry is not an inquiry into obviousness, novelty, enablement, or any other patent law concept”; “[t]he Section 101 eligibility inquiry determines whether a claim is limited meaningfully to permissible subject matter, as distinct from the validity requirements of the other sections.”⁶⁴

Instead, “[t]he inquiry is a practical one to determine whether the claim, as a whole with all of its limitations, in effect covers a patent ineligible abstract idea or a patent eligible application of that idea.”⁶⁵ Alternatively stated, “[t]he relevant inquiry must be whether a claim includes *meaningful* limitations restricting it to an application, rather than merely an abstract idea.”⁶⁶ Thus, “the question for patent eligibility is whether the claim contains limitations that meaningfully tie [the abstract] idea to a concrete reality or actual application of that idea.”⁶⁷ Judge Rader repeatedly emphasized that in making this determination, “[a] court must consider the asserted claim *as a whole*”; “a court must consider the *actual* language of each claim,” “with all its limitations”; and because “[d]ifferent claims will have different limitations; each must be considered

⁵⁶ 2013 WL 1920941, *14.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*, *12.

⁶² Rader Op., *24; *see also* § III.B at *30-31.

⁶³ *Id.*, *32.

⁶⁴ *Id.*, *31.

⁶⁵ *Id.*, *26.

⁶⁶ *Id.*, *27 (italics in original).

⁶⁷ *Id.*, *27.

as actually written.”⁶⁸ However, “while the analysis will be different for each claim based on its particular limitations, the form of the analysis remains the same.”⁶⁹

Judge Rader recognized that while the “meaningful limitations” test for patent-eligibility may be easy to state, in practice “[t]he struggle is in drawing the line between claims that are and are not meaningfully limited.”⁷⁰ However, Judge Rader advised that “fortunately, the Supreme Court’s own cases provide the guideposts for doing so,”⁷¹ and proceeded to identify those guideposts as follows.

A claim is not meaningfully limited if it “covers all practical applications of an abstract idea” and thus “pre-empt[s] essentially all uses of the idea.”⁷² That would be the case if, for example, the claim “merely describes an abstract idea,” or merely describes the abstract idea and then only adds “apply it,” or steps that “must be taken in order to apply the abstract idea,” “insignificant or token pre- or post-solution activity—such as identifying a relevant audience, a category of use, field of use, or technological environment.”⁷³ A claim also is not meaningfully limited “if its purported limitations provide no real direction, cover all possible ways to achieve the provided result, or are overly-generalized.” On the other hand, “meaningful limitations which likely remove claims from the scope of the [Supreme] Court’s judicially created exceptions to Section 101” include: (i) added limitations that limit the claim to “a particular machine implementing a process or a particular transformation of matter” (*i.e.*, limitations that will result in the claim passing muster under the MOT test), or (ii) “added limitations which are essential to the invention” and “do more than recite pre- or post-solution activity” and are instead “central to the solution itself.”⁷⁴ Moreover, in respect to computer-implemented claims, it is true that “the mere reference to a general purpose computer will not save a method claim from being deemed too abstract to be patent eligible.”⁷⁵ However, a computer-implemented claim “likely will be patent eligible” if “the claims tie the otherwise abstract idea to a specific way of doing something with a computer, or a specific computer for doing something.”⁷⁶ “While no particular type of limitation is necessary, 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.”⁷⁷ “At bottom, where the claim is tied to a computer in such a way that the computer plays a meaningful role in the performance of the claimed invention, and the claim does not pre-empt virtually all uses of an underlying abstract idea, the claim is patent eligible.”⁷⁸

Applying these legal principles to the record evidence, Chief Judge Rader and Judge Moore found the method claims and computer-readable media claims patent-ineligible, and found the system claims patent-eligible.⁷⁹ Judges Linn and O’Malley, applying the very same legal principles to the very same record evidence, found **all** the asserted claims patent-eligible.⁸⁰

In reaching the conclusion that the system claims were patent-eligible, Judge Rader took issue with a number of Judge Lourie’s pronouncements that led Judge Lourie to conclude that the system claims were *not* patent-eligible. First, because “patent eligibility [under §§ 102 and 103] . . . is to be measured as of the

⁶⁸ *Id.*, *26 (italics in original).

⁶⁹ *Id.*, *26.

⁷⁰ *Id.*, *28.

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*, *28, inner quotations and citations omitted)

⁷⁴ *Id.*, *29.

⁷⁵ *Id.*, *30.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.*, §§ IV-VII, *33-39.

⁸⁰ Linn-O’Malley Op., *53.

filing date,” Judge Lourie was wrong in concluding “that the system claims are not patent eligible in part because it is *now* routine for computers to perform the functions described.”⁸¹ Second, Judge Lourie was wrong in concluding that the Supreme Court’s references to “inventive concept” must refer to a “genuine human contribution to the claimed subject matter” because that improperly “injects an ‘ingenuity’ requirement into the abstract exception inquiry.”⁸² Third, Judge Lourie was wrong in concluding “that a computer must do something other than what a computer does before it may be considered a patent-eligible invention.”⁸³

C. Team Moore: Opinion by Judge Moore, Joined by Chief Judge Rader, and Judges Linn and O’Malley – The Impact Of The Court’s Decision On “hundreds of thousands of patents”

Judge Moore filed a separate dissenting-in-part opinion, joined by Chief Judge Rader and Judges Linn and O’Malley.⁸⁴ The focus of this further opinion was to emphasize the importance of analyzing each claim separately and as a whole, giving effect to all the actual limitations in the claims, and not lumping system claims with method and computer-readable media claims. If that were done here, according to Judge Moore, the system claims would have been found patent-eligible regardless of what conclusion was reached as to the method and computer media claims. If that is not done here and in the future, Judge Moore opined that this is a death knell for virtually all business method patents, financial system patents, software patents, and computer-implemented telecommunications patents:

Today, several of my colleagues would take that [Supreme Court] precedent significantly further, lumping together the asserted method, media, and system claims, and holding that they are all patent-ineligible under § 101. Holding that all of these claims are directed to no more than an abstract idea gives staggering breadth to what is meant to be a narrow judicial exception. And let’s be clear: if all of these claims, including the system claims, are not patent-eligible, 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. [Note 1 omitted] My colleagues believe that the trajectory the Supreme Court has set for § 101 requires us to conclude that all of the claims at issue here are directed to unpatentable subject matter. Respectfully, my colleagues are wrong.⁸⁵

Judge Moore then strongly suggested that the Supreme Court should step in once again:

Our court is irreconcilably fractured over these system claims and there are many similar cases pending before our court and the district courts. 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.⁸⁶

⁸¹ Rader Op., n. 4 (citing Lourie Op. *19, “computers that have routinely been adapted by software consisting of abstract ideas, and claimed as such, to do all sorts of tasks that formerly were performed by humans”) (emphasis in original).

⁸² Rader Op., n. 5 (citing Lourie Op., *11).

⁸³ Rader Op., n. 7 (citing Lourie Op., *14, “At its most basic, a computer is just a calculator capable of performing mental steps faster than a human could. Unless the claims require a computer to perform operations that are not merely accelerated calculations, a computer does not itself confer patent eligibility.”)

⁸⁴ Moore Op., *40-47.

⁸⁵ *Id.*, *40.

⁸⁶ *Id.*, *41 (italics in original).

D. Judge Newman Stands Alone – Reaffirm “Three Basic Principles”

In a concurring-in-part, dissenting-in-part opinion, in which no other judge joined, Judge Newman wrote separately to “propose that the court reaffirm three basic principles relating to section 101.”⁸⁷ According to Judge Newman, “an all purpose bright-line rule for the threshold portal of § 101 is as unavailable as it is unnecessary.”⁸⁸ Judge Newman appeared to be writing mostly to the Supreme Court, arguing that “judicial clarification is urgently needed.”⁸⁹ First, Judge Newman would “hold that section 101 is an inclusive statement of patent-eligible subject matter,” such that if a claim was drawn to one of the categories listed in section 101, attention would turn to “application of the laws of novelty, utility, prior art, obviousness, description, enablement, and specificity.”⁹⁰ Second, Judge Newman would have the court “abandon its failed section 101 ventures into abstraction, preemption, and meaningfulness.”⁹¹ Thus, Judge Newman would also “hold that the form of the claim does not determine section 101 eligibility”; that is, “patent eligibility does not depend on the form of the claim, whether computer-implemented innovations are claimed as a method or a system or a storage medium, whether implemented in hardware or software.”⁹² Accordingly, Judge Newman would find all the claims patent-eligible under § 101, “and would remand to the district court for determination of patentability under the substantive provisions of the statute.”⁹³ Third, Judge Newman would “confirm that experimental use of patent information is not barred” and does not constitute infringement so that it is clear that study and experimentation of any claimed invention, no matter how broad and abstract, is permissible.⁹⁴

V. Closing Remarks:

The Federal Circuit’s en banc decision in *CLS Bank* was supposed to bring a level of clarity and predictability regarding the proper analysis for determining whether a computer-implemented invention – claimed as a method, computer-readable medium, or system – is or is not patent-eligible under § 101. Not only was that not the case, in the words of Judge Newman:

Instead we have propounded at least three incompatible standards, devoid of consensus, serving simply to add to the unreliability and cost of the system of patents as an incentive for innovation. With today’s judicial deadlock, the only assurance is that any successful innovation is likely to be challenged in opportunistic litigation, whose result will depend on the random selection of the panel.⁹⁵

The author does not subscribe to Judge Moore’s view that “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.”⁹⁶ However, given the fact that the Federal Circuit was unable to reach a meaningful consensus on the key analytical framework for a patent-eligibility analysis under Section 101, we all might be best served by the Supreme Court granting certiorari and weighing in one more time, as suggested by Judge Moore.⁹⁷ Or it may be, as Judges Linn and O’Malley

⁸⁷ Newman Op., *48.

⁸⁸ *Id.*, *47.

⁸⁹ *Id.*, *48.

⁹⁰ *Id.*

⁹¹ *Id.*, *52.

⁹² *Id.*, *48

⁹³ *Id.*, *52

⁹⁴ *Id.*, *48.

⁹⁵ Newman Op., *47.

⁹⁶ Moore Op., *40.

⁹⁷ *Id.*, *41 (“This case presents the opportunity for the Supreme Court to distinguish between claims that *are* and *are not* directed to patentable subject matter”; italics in original).

suggested, only “Congress can, and perhaps should, develop special rules for software patents.”⁹⁸ The only certainty at the moment, however, is that we have now entered a new era of uncertainty. Uncertainty as to the proper standard for determining patent-eligibility. Uncertainty as to proper application of any of the alternative standards laid out in *CLS Bank*. Uncertainty as to whether a Section 101 determination should be made at the outset of litigation, before claim construction and before embarking on an analysis of patentability under the other more substantive patent statutes.⁹⁹ Uncertainty as to whether the Supreme Court or Congress will weigh in. For the time being, district courts will struggle with how to proceed, and will most likely elect to defer consideration of Section 101 patent-eligibility determinations as long as possible. As I said at the outset of this paper, let the games begin.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the author.

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⁹⁸ Linn-O'Malley Op., *58.

⁹⁹ Judge Lourie, joined by four of his brethren, rejected the suggestion that “district courts must always consider subject-matter eligibility first among all possible bases for finding invalidity.” Lourie Op., *12. Instead, the district courts have “great discretion” and may “begin elsewhere [e.g., §§ 101, 102, 112] when they perceive that another section of the Patent Act might provide a clearer and more expeditious path to resolving a dispute.” *Id.* Similarly, “[a]lthough not required, conducting a claim construction analysis before addressing § 101 may be especially helpful in this regard [referring to the step of unambiguously identifying the abstract idea] by facilitating a full understanding of what each claim entails.” *Id.*, *9. However, none of the other opinions addressed this issue directly.

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