ARE Patent Law Alert:
Federal Circuit Splits on Section 101 Analysis and Finds Computer Implemented Claims to be Patent-Ineligible

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On May 10, 2013, the U.S. Court of Appeals for the Federal Circuit released its highly anticipated decision in *CLS Bank International v. Alice Corp. Pty. Ltd*., No. 2011-1301 ("*CLS III*"), concerning the patent eligibility of computer implemented claims under 35 U.S.C. § 101. Although the court, considering the case *en banc*, did agree that the computer implemented claims-at-issue were not patent-eligible, the court's rationale, presented in six separate opinion with additional reflections by Chief Judge Rader, was divided. Unfortunately, this decision provides patent practitioners with no definitive guidance as to how to apply a Section 101 analysis to computer implemented claims.

This case relates to the method and systems claims of four patents owned by Alice Corporation concerning a computerized trading platform. In 2007, CLS Bank International filed suit seeking declaratory judgment of non-infringement, invalidity and unenforceability of Alice's patents. Alice, in its turn, countersued CLS. Four years later, the U.S. District Court for the District of Columbia granted CLS's motion for summary judgment, finding 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. 685 F.3d 1341. However, shortly thereafter, the Federal Circuit granted CLS's petition for rehearing the case *en banc*, and vacated the July 9, 2012 panel decision. 484 F. App'x 559.

In the current *per curiam* opinion, the Federal Circuit found that Alice's claims were not patent eligible under Section 101. However, the reasoning behind that decision is spelled out in five other separate opinions, as well as in additional reflections by Chief Judge Rader.

Judges Lourie, Dyk, Prost, Reyna and Wallach opined that in cases where a claim is potentially directed to one of the three judicial exceptions to patent-eligible subject matter (*i.e*., laws of nature, natural phenomena or abstract ideas), courts should proceed by first clarifying the specific nature of the exception at issue (*e.g*., the abstract idea of escrow) and then evaluating 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." So long as the claim does not cover the full idea, it is

patent-eligible. Applying this analytical scheme, these judges determined that all the Alice claims-at-issue—whether directed to computer implemented methods, computer media or computer systems—were not patent-eligible.

Chief Judge Rader and Judges Linn, Moore and O'Malley wrote an opinion criticizing this manner of proceeding as being inconsistent with the Patent Act. "A court cannot go hunting for abstractions by ignoring the concrete, palpable, tangible limitations of the invention the patentee actually claims." Accordingly, the key question should be "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: if so, they likely will be patent eligible." Because Alice's system claim "is limited to an implementation of the invention that includes at least four separate structural components" running "detailed algorithms," they conclude that the "'abstract idea' present here is not disembodied at all, but is instead integrated into a system utilizing machines," and find Alice's systems claim patent-eligible.

Judges Linn and O'Malley go even further. Stating that "all asserted claims must rise or fall together, because they all contain the same computer-based limitations," they find all of the Alice claims patent-eligible.

Disappointed at the court's impasse, Judge Newman explained separately that the debate on Section 101 reflects the anxiety that overbroad patents will preclude scientific inquiry and technological innovation. If there were "clarification of the right to experiment with the information disclosed in patents, it would no longer be necessary to resort to the gambit of treating such information as an 'abstraction' in order to liberate the subject matter for experimentation." Accordingly, Judge Newman proposes abandoning all judicial exceptions to patent-eligible subject matter, and determines all of Alice's claims to be patent-eligible.

This decision spotlights the Federal Circuit's serious divisions on Section 101 analysis. In the face of these divisions, decisions by Federal Circuit panels as to patent-eligibility of specific claims under 35 U.S.C. § 101 will continue to be inconsistent. That the Federal Circuit is unable to resolve these issues, which are of great importance to our country's business community and computer industry, suggests that the U.S. Supreme Court will need to weigh in on them in the near future.

We will continue to monitor and report on Section 101 cases, and encourage you to review the publications page of our firm website (www.arelaw.com) for more information. Please also feel free to contact one of our firm's attorneys to learn more.

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