

Highly-Anticipated *en Banc* Decision in *CLS Bank International v. Alice Corp.* Provides Little Clear Guidance

By David W. O'Brien¹

The recent en banc decision in CLS Bank International v. Alice Corp. provides patent applicants and owner-litigants with little in the way of clear guidance on 35 U.S.C. § 101 issues surrounding computer-related inventions. From a defendant or PTAB petitioner's perspective, views expressed by a minority of the court (the Lourie camp) provide at least a temporary roadmap for challengers to attack virtually any computerized method, media or system claimed as implemented on (or with) a general purpose computer. Despite a spirited, yet ultimately unsuccessful, defense of the system claims, patent applicants and owners will find little solace in views expressed by a competing, minority of the court (the Rader/Moore camp). Nonetheless, patent applicants should evaluate whether their claiming strategies pass muster, even under the Rader/Moore camp's more lenient "meaningful limitations" analysis. It remains to be seen whether Judge Moore's concerns of "free fall" and wide ranging damage in the patent system will bear out. However, as before the en banc decision, patent applicants, owners, and challengers alike will have to hope that future decisions of the Federal Circuit or Supreme Court provide the clarity so absent from CLS Bank and § 101 jurisprudence in general.

In a highly anticipated *en banc* decision² that many had hoped would clarify the test(s) to determine whether a computer-implemented invention is a patent-ineligible "abstract idea" under judicial interpretations of 35 U.S.C. § 101, the Federal Circuit was unable to agree on a coherent legal rationale and split into at least three competing camps. In the end, the court issued a terse 58-word *per curiam* opinion, affirming (by majority vote) patent ineligibility of method and computer readable media claims, and affirming (by 5-5 tie vote) patent ineligibility of related system claims. Five separate opinions were issued by the competing camps, together with "additional reflections" by the Chief Judge lamenting the (re)introduction into the § 101 jurisprudence of "subjective and empty words" such as "inventiveness" and genuine "contribution."

The patent claims in suit were directed to computerized methods, media and systems for facilitating financial transactions between two parties using a third party to mitigate settlement risk and, as such, fell squarely within the "business method" label that has so animated both public and judicial discourse on patent eligibility. Significantly, claims were not actually construed by the district court below. While parties stipulated (for purposes of the appealed-from summary judgment) to a narrow construction of terms (which, for the original panel³ below and a subset of the court sitting *en banc*, eliminated preemption concerns), that trial record was arguably ignored by much of the court.

After review of the 135 pages of competing views on the precedent (and on the factual record itself), it is safe to say that the court is without any meaningful consensus and has utterly failed in its attempt to operationalize recent "guidance" from the Supreme Court. In fairness, rationalizing both recent guidance (e.g., *Bilski* and *Prometheus*) and earlier § 101 decisions (e.g., *Benson* and *Flook*) with *Diehr's* "claim as whole" doctrine and with the statute itself is no easy task. Nonetheless, two competing viewpoints seem to have emerged.

¹ David O'Brien is a partner in the Austin, Texas office of the law firm of Haynes and Boone, LLP. His practice emphasizes patent prosecution, reexamination and post-issuance proceedings before the patent trial and appeal board (PTAB), with a focus on telecommunications, network and information security, microprocessor architectures, and software. He may be reached at david.obrien@haynesboone.com or 512.867.8457.

² *CLS Bank International v. Alice Corp.*, ___ F.3d ___, No. 11-1301 (Fed. Cir., May 10, 2013).

³ See *CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012), vacated, 484 F. App'x 559 (Fed. Cir. 2012).

The *first* viewpoint, expressed in a concurring opinion⁴ by Judge Lourie (joined by Judges Dyk, Prost, Reyna and Wallach), relies on Supreme Court precedent in what can only be described as a wholesale assault on computerized methods, media and systems implemented on a general purpose computer. Specifically, the Lourie camp reads the precedent as requiring a two-step analysis in which the court first identifies the abstract idea represented in the claim,⁵ then turns to “whether the balance of the claim adds ‘significantly more’”⁶ than the abstraction.

Applying this two-part test to the facts of the case, Judge Lourie first concludes that “[t]he concept of reducing settlement risk by facilitating a trade through third-party intermediation is an abstract idea because it is a disembodied concept, ... a basic building block of human ingenuity untethered from any real-world application” that, “[s]tanding alone, ... is not patent eligible subject matter.”⁷ From there, the analysis turns to the “whether the balance of the claim adds significantly more” inquiry, which the Lourie camp styles as an issue of inventive worthiness. According to Judge Lourie, “[t]he requirement for substantive claim limitations beyond the mere recitation of a disembodied fundamental concept has ‘sometimes’ been referred to as an ‘inventive concept’ ... [which] in the § 101 context refers to a genuine human contribution to the claimed subject matter.”⁸

In a quote that will quickly make its way into briefing, motions and petitions by patent challengers, the Lourie opinion states:

Unless the claims require a computer to perform operations that are not merely accelerated calculations, a computer does not itself confer patent eligibility. 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.⁹

The Lourie camp goes on to conclude that, “look[ing] past drafting formalities and let[ting] the true substance of the claim guide [its] analysis,”¹⁰ computer readable media claims before the court are equivalent to the recited methods for purposes of § 101 and, likewise, not patent eligible.¹¹ Similarly, Judge Lourie finds that “the system claims recite a handful of computer components in generic, functional terms that would encompass any device capable of performing the same ubiquitous calculation, storage, and connectivity functions required by the method claims”¹² and “[t]herefore, as with the asserted method claims, such limitations are not actually limiting in the sense required under § 101; they provide no significant ‘inventive concept.’”¹³

The *second* (and main competing) viewpoint is expressed in an opinion¹⁴ concurring-in-part and dissenting-in-part filed by Chief Judge Rader (joined by Judges Linn, Moore and O’Malley) and is reinforced in a separate dissent-in-part filed by Judge Moore (joined by Judges Rader, Linn and O’Malley). Given an otherwise broad statutory grant of subject matter eligibility, the Rader/Moore camp

⁴ *CLS Bank*, ___ F.3d at ___, slip op. at 8 (Lourie J, concurring)

⁵ *Id.* at 32.

⁶ *Id.* at 33.

⁷ *Id.* at 33.

⁸ *Id.* at 26-27.

⁹ *Id.* at 34.

¹⁰ *Id.* at 37.

¹¹ *Id.* at 37-38.

¹² *Id.* at 38.

¹³ *Id.* at 43.

¹⁴ *CLS Bank*, ___ F.3d ___, slip op. at 46 (Rader CJ, concurring-in-part, dissenting-in-part).

would limit the judicially-created exceptions (including the “abstract idea” exception in issue in *CLS Bank*) to the contexts and facts in which they arise in Supreme Court precedent.¹⁵ In doing so, the Rader/Moore camp views the relevant inquiry to be “whether a claim includes *meaningful* limitations restricting it to an application, rather than merely an abstract idea.”¹⁶ While “[a] claim may be premised on an abstract idea—the question for patent eligibility is whether the claim contains limitations that meaningfully tie that idea to a concrete reality or actual application of that idea.”¹⁷

The key to this inquiry 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; if so, they likely will be patent eligible, unlike claims directed to *nothing more than the idea* of doing that thing on a computer. 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.¹⁸

Thus, the essential disconnect between the two camps may boil down to whether, in the case of computer implemented methods, media and systems, the Supreme Court’s preemption analysis should be read to (above and beyond any underlying abstract idea):

- (1) require limitations that establish patent-worthy inventive contribution to the subject matter claimed,¹⁹ or
- (2) require only limitations that tie the claim to a computer in such a way that the computer plays a meaningful role in performance of the invention, and avoids pre-emption of virtually all uses or applications of the abstract idea.²⁰

Judge Moore’s opinion²¹ (joined by Judges Rader, Linn and O’Malley) adds her concern that “the current interpretation of § 101, and in particular the abstract idea exception, is causing a free fall in the patent system,”²² leading to uncertainty and litigation inefficiencies in obtaining and enforcing business method patents. In particular, in her view, “[h]olding that [method, computer-readable media and system claims alike] are directed to no more than an abstract idea gives staggering breadth to what is meant to be a narrow judicial exception.”²³ In a strikingly frank assessment, Judge Moore opines that “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.”²⁴ Judge Moore goes on to conclude: “[t]here has never been a case which could do more damage to the patent system than this one.”²⁵

Judge Newman writes separately²⁶ to chronicle the court’s *en banc* undertaking and its failure to remedy distortions flowing from inconsistent precedent under § 101. She maintains (amongst other things) that judicial clarification is urgently needed to restore the understanding that experimental use of patented

¹⁵ See *Id.* at 57-72.

¹⁶ See *Id.* at 61 (emphasis in original).

¹⁷ *Id.*

¹⁸ *Id.* at 59 (emphasis in original).

¹⁹ See Lourie concurrence, discussed *supra* at notes 8-13.

²⁰ See Rader opinion, concurring-in-part, dissenting-in-part, discussed *supra* at notes 16-18.

²¹ *CLS Bank*, ___ F.3d ___, slip op. at 88 (Moore J, dissenting-in-part).

²² *Id.* at 88-89.

²³ See *Id.* at 89.

²⁴ *Id.*

²⁵ *Id.*, note 1, at 89-90.

²⁶ *CLS Bank*, ___ F.3d ___, slip op. at 103 (Newman J, concurring-in-part, dissenting-in-part).

information is not barred.²⁷ Judge Newman would hold that the system, media and method claims in issue are all patent eligible and remand to the district court for determination of patentability under substantive provisions of the statute.²⁸

Finally, Judge Linn argues, in yet another dissenting opinion²⁹ joined by Judge O'Malley, that the record and procedural posture of the case on appeal require the court to construe the method claims narrowly and in accord with stipulations made in accordance with burdens on summary judgment. Specifically, in Judge Linn's view, and consistent with the stipulations, the method claims at issue in the appeal require the same computer implementation details as the system claims.³⁰ Thus, Judge Linn would find all claims at issue to be patent eligible, vacate the judgment of the lower court, and remand for further proceedings.³¹

At the end of the day, the highly-anticipated en banc decision provides patent applicants, owners, and challengers alike with little in the way of clear guidance. From a challenger's perspective, the Lourie camp's expressed views provide a roadmap to attack virtually any computerized method, media and systems implemented on (or with) a general purpose computer. Patent applicants and owners may find little solace in the Rader/Moore camp's spirited, yet unsuccessful, defense of the system claims at bar. Nonetheless, patent applicants should evaluate whether their claiming strategies pass muster, even under the Rader/Moore camp's "meaningful limitations" analysis. It will, of course, remain to be seen whether Judge Moore's concerns of "free fall" and wide ranging damage to the patent system will bear out. However, as before the en banc decision, patent applicants, owners, challengers and the district courts alike will have to hope that future decisions provide the clarity so absent from CLS Bank.

²⁷ *Id.* at 107.

²⁸ *Id.* at 116.

²⁹ *CLS Bank*, ___ F.3d ___, slip op. at 117 (Linn J, dissenting).

³⁰ *Id.* at 123.

³¹ *Id.* at 131.