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Federal Circuit Responds to Prometheus by Finding It Must Be "Manifestly Evident" that Claim Is Directed to an Abstract Idea to Be Invalid for that Reason Under 35 U.S.C. § 101

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Legal Update

In the wake of the Supreme Court's recent decision in *Prometheus v. Mayo*, the Federal Circuit held in *CLS Bank v. Alice Corp.* in a 2-1 decision that it must be "manifestly evident" that a claim is directed to an abstract idea for the claim to be invalid for that reason under 35 U.S.C. § 101. The court held that the single most reasonable conclusion must be that the "claim is directed to nothing more than a fundamental truth or disembodied concept, with no limitations in the claim attaching that idea to a specific application" for the claim to be invalid for claiming an abstract idea. The court cautioned against "paraphrasing a claim in overly simplistic generalities" and emphasized that "[p]atent eligibility must be evaluated based on what the claims recite, not merely on the ideas upon which they are premised." The majority also noted that sections 102, 103, and 112 of 35 U.S.C. are equally as important as § 101, and that a district court is free to address invalidity issues in whatever order it chooses.

The claims at issue in *CLS Bank* were method, system, and product claims directed to a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party so as to eliminate "settlement risk." The majority found that the claims required computer implementation, that the computer limitations "play a significant part in the performance of the invention," and that the claims were limited to a "very specific application" of using an intermediary to settle obligations between two parties. Accordingly, it was not "manifestly evident" that the claims were directed to nothing more than a fundamental truth or disembodied concept.

The dissenting opinion argued that the Supreme Court had already established a test for determining whether a patent claims an abstract idea—identify "the basic idea behind the claimed invention" and assess whether the claim limitations added to the idea are "inventive." The dissent contended the limitations added to the basic idea in this case were not "meaningful" and that the use of computers in the claims was "simply incidental."

CLS Bank illustrates the Federal Circuit's continued struggle to establish a predictable and workable test for determining whether a claim is invalid under § 101 for claiming an abstract idea, despite recent Supreme Court decisions. It is anticipated that *CLS Bank* will cause courts to more zealously toss § 101 issues aside to find patents invalid under §§ 102 and 103 instead. However, in instances in which § 101 issues are addressed, it appears the bar has been raised if a defendant wants to argue a claim is invalid for being directed to an abstract idea. With that said, given the very divergent opinions between the majority and dissent, there is a reasonable prospect that *CLS Bank* will eventually be heard *en banc* or by the Supreme Court.

This advisory was prepared by Nutter's Intellectual Property practice. For more information, please contact your Nutter attorney at 617.439.2000.

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