Alice v. CLS Bank

Banner & Witcoff offers the following content as a resource to help clients understand and prepare for the potential impact of this case:

Alice's patents relate to a computerized trading platform used for conducting financial transactions. Under the claimed invention, a third party "settles" (oversees and ensures) obligations between a first and second party so as to eliminate the risk that one party will perform while the other will not.

CLS allegedly began infringing the Alice patents in 2002. After licensing negotiations failed, CLS filed declaratory judgment in the District Court of D.C., asserting invalidity and noninfringement. The District Court granted summary judgment of invalidity, holding that Alice's patents constituted patent ineligible abstract ideas under § 101.

The district court explained that the method "of employing an intermediary to facilitate simultaneous exchange of obligations in order to minimize risk" is a "basic business or financial concept." Thus, the court continued, a "computer system merely 'configured' to implement an abstract method, is no more patentable than an abstract method that is simply 'electronically' implemented."

At the Federal Circuit, a three-judge panel reversed the district court, holding that computer-implemented inventions like Alice's are *eligible* under § 101 unless it is "manifestly evident" that the claims are about an abstract idea. To be "manifestly evident," the "single most reasonable understanding" must be "that a 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."

CLS petitioned for rehearing *en banc*, and after granting the petition, the Federal Circuit vacated the earlier panel opinion, reinstated the district court's holding and ultimately issued six separate opinions spanning more than 125 pages. The Court split 5-5 with respect to the eligibility of Alice's computer system claims and failed to offer a majority-endorsed approach for determining whether a computer-implemented invention is a patent-ineligible, abstract idea.

In urging the Supreme Court to grant its cert petition, Alice pointed to the Federal Circuit's "inability to make a decision" and the apparent "enormous confusion that exists" as evidence that prompt

intervention is necessary. The Supreme Court granted the petition and heard arguments on March 31, 2014.

In a unanimous opinion authored by Justice Thomas on June 19, 2014, the Court held in *Alice Corp. v. CLS Bank Int'l*, that all the patent claims in the case, meaning all method, system and "computer-readable medium" claims, were not patent eligible.

While three Justices in concurrence would have decided the case on the principle that no business method patents should exist whatsoever, their principle was not implemented by the whole of the Court. The Court's test of eligibility, in contrast, is more nuanced blocking patents on fundamental, long-existing practices of human activity, implemented generically on computers, but leaving other practices and implementations open to the possibility of patenting. The question of whether an improvement in computer functioning, or an improvement in non-computer technology or a technical field, will be required for a computer-implemented invention will be a central focus of a foreseeably unending debate.

IMPORTANT DATES

- June 19, 2014 – Supreme Court issues decision
- March 31, 2014 – Supreme Court hears oral argument
- Dec. 6, 2013 – Supreme Court grants Alice's petition for a writ of certiorari
- Sept. 4, 2013 – Alice files petition for a writ of certiorari with U.S. Supreme Court
- May 10, 2013 – Federal Circuit issues *en banc* decision Oct. 9, 2012 – Federal Circuit orders *en banc* rehearing
- July 9, 2012 – Federal Circuit issues panel decision

COURT DOCUMENTS

- U.S. Supreme Court decision
- U.S. Supreme Court oral argument
- Alice's petition to the U.S. Supreme Court
- Federal Circuit *en banc* decision
- Federal Circuit panel decision

USPTO DOCUMENTS

- USPTO's memorandum to patent examiners in view of *Alice v. CLS Bank* decision

MEDIA

Banner & Witcoff attorneys are available to answer questions and discuss this case. Media inquiries should be directed to Amanda Robert (312) 463-5465 or arobert@bannerwitcoff.com.