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PATENTS AFTER *ALICE;* WHAT INVENTORS SHOULD KNOW

By Sherrie M. Flynn

On June 19, 2014, the Supreme Court issued its landmark ruling, *Alice Corporation v. CLS Bank International*, 134 S. Ct. 2347 (Jun. 19, 2014) ("*Alice*"). In that decision, the court further defined - or better yet redefined - what qualifies as a "patentable" invention. *Alice* did not send ripples but shock waves through the patent bar and despite the passage of several months, inventors, patent attorneys/agents, and patent examiners are still struggling with the bounds of what constitutes patent-eligible subject matter. In fact, as of early 2015, patent examiners are just now receiving training as to what constitutes patent-eligible subject matter, as described in *Alice*, and inventors and patent practitioners still wonder where the patentability lines are drawn on products of nature and abstract ideas. Most affected by *Alice* are business method and software patents. This article will discuss the still lingering effect of *Alice* on inventors.

The Nature of Patents

A basic premise of patent law is that "Whoever invents or discovers a new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent..." (35 U.S.C. § 101.) That being said, laws of nature, nature-based products, and abstract ideas are not patentable, and patent applications claiming such will trigger a "101 rejection" from examiners. To some degree, however, all inventions are based on laws of nature, natural phenomena and/or abstract ideas. Consequently, in determining what ***is*** patent-eligible subject matter, patent examiners must distinguish between patents that claim the building blocks of human ingenuity, and those that integrate the building blocks into something more, thereby transforming laws of nature, nature-based products, and abstract ideas into patent-eligible inventions.

What *Alice* Held

In *Alice*, Alice Corporation was the assignee of several patents that disclosed a scheme for mitigating settlement risk (i.e., the risk that only one party to an agreed-upon financial obligation will satisfy its obligations). Banks brought an action to invalidate the patents while Alice Corporation sued for infringement. The parties filed cross-motions for summary judgment, and the District Court held that the claims were ineligible for patent protection because they are directed to an abstract idea. Alice Corporation appealed and a divided Court of Appeals for the Federal Circuit affirmed. Alice Corporation sought review by the Supreme Court.

The Supreme Court affirmed the lower courts. In doing so, it held that the patents *were not* eligible for patent protection because the claims were directed to an abstract idea. In reaching its decision, the Court indicated that the "intermediated settlement" in Alice Corporation's patents, like the hedging scheme rejected by the Supreme Court in its 2010 decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), is an abstract idea, and simply implementing such abstract idea on a computer is not enough to transform the idea into patentable subject matter. In so holding, the court stated:

"[T]he claims at issue amount to 'nothing significantly more' than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer. [Citations omitted]. Under our precedents, that is not '*enough*' to transform an abstract idea into a patent-eligible invention." (*Alice* at 1260, citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 St. Ct. 1289, 1297-98, emphasis in original.)

What is Enough

In light of the court's holding, inventors now wonder, what is enough to transform an abstract idea into a patent-eligible one. Since the *Alice* decision, the U.S. Patent and Trademark Office ("USPTO") has been trying to answer that very question.

On June 25, 2014, the USPTO issued preliminary guidelines on what qualifies as patent-eligible subject matter post-*Alice*. On December 16, 2014, the USPTO issued the "2014 Interim Guidance on Patent Eligible Subject Matter," which supplemented the June preliminary guidelines, and included "Nature-Based Product Examples." On January 27, 2015, the USPTO issued "Abstract Ideas Examples," and to train patent examiners on patent-eligible subject matter, in mid-February 2015, the USPTO issued "Training Slides - 2014 Interim Guidance on Patent Subject Matter Eligibility." Training of examiners began in mid-to-late January 2015, and was to be completed by mid-February 2015. In total, the USPTO published over 140 pages of documents in its attempt to explain *Alice.*

While the guidelines and materials help, more is needed. Noteworthy is that the USPTO guidelines are "preliminary" or "interim." No timeline exists for "final" guidelines, and any additional guidelines will likely be influenced by further court rulings analyzing business method and software patents.

Conclusion

Because of the lack of clarity, until such time that final guidelines are issued, or the bounds of patentability are clearly defined by case law, it is more critical than ever to consult with a patent attorney who has a thorough grasp of relevant case law, guidelines, and examples, and who has first-hand experience working through 101 rejections with the USPTO. It may also be beneficial to keep in mind that, in some cases, there may be ways, other than by patenting, in which business methods and/or software may be protected (e.g., as trade secrets or by copyrighting).

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