



Intellectual Property Alert: Federal Circuit *CLS Bank* Decision On Computer-Implemented Inventions Just Handed Down

By Charles W. Shifley

The Federal Circuit has issued its *CLS Bank* decision on the eligibility of computer-implemented inventions for patenting. The decision is a stunner. To quote the Court, “No portion of any opinion issued ... garners a majority. ... [N]o majority ... agrees as to ... legal rationale ... [N]othing said today ... has the weight of precedent.” The one exception to these statements is that a majority of the judges agreed that the method claims in the case were not patent-eligible. But again — they did not agree on the rationale.

Decision A Highly Unusual Collection of Opinions

The *CLS Bank* decision is also remarkable for the number and length of opinions. The “opinion” of the Court — as above, that the method claims in the case were not patent-eligible — is “per curiam,” not by an identified author or group of judges. But then proceed a group of opinions — a first by Judge Lourie joined by Judges Dyk, Prost, Reyna and Wallach (called here “the Lourie Group”), a second by Chief Judge Rader joined by Judges Linn, Moore and O’Malley (called here “the Rader Group”), a dissent in part by the Rader Group authored by Judge Moore, a separate opinion by Judge Newman, another opinion by Judges Linn and O’Malley, and “Additional Reflections” by Rader. Plainly, “Additional Reflections” are highly unusual.

Moreover, the Lourie Group opinion is that an “inventive concept” must be present in patent claims in the form of a “human contribution” that “must represent more than a trivial appendix to the underlying abstract idea [if any].” Assessing the claims at hand, the opinion concludes that the claims are directed to an abstract idea of reducing risks in effecting stock trades by using a third-party intermediary. While the claims add limitations of creating shadow records, using a computer to adjust and maintain the records, and reconciling the records and exchange institution accounts, “[n]one of these limitations adds anything ...” In a more significant phrase of reasoning, the 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 another, a claim may not establish eligibility through the use of “extravagant language” (such as creating “shadow” records) for basic and required functions.

The Rader Group’s first opinion takes the Lourie Group opinion to task for “inject[ing] an ‘ingenuity’ requirement into the ... inquiry.” It goes on to require an “attack on an issued patent based on a challenge to ... eligibility ... must be proven by clear and convincing evidence.” The Rader Group resolves that system claims are patent-eligible. “[A] combination of old elements is

patent eligible.” But even the Rader Group splits, as its opinion states that two of the four conclude the method claims in the case are eligible, while two do not (Rader and Moore).

The Rader Group’s second opinion expresses concern for “a free fall in the patent system,” by reason of “staggering breadth [in denial of eligibility for computer inventions where] what is meant [is] a narrow judicial exception.” And, “Looking at [their] hardware and software elements, it is impossible to conclude that [the CLS system claim] is merely an abstract idea.”

Judge Newman’s opinion concludes that the Court’s effort in the case is a “fail[ure.]” In her view, the Court has stated “at least three incompatible standards, devoid of consensus, serving simply to add to the unreliability and cost of the system of patents as an incentive for innovation.”

The Linn-O’Malley opinion dissents from the Lourie Group and Rader Group opinions to conclude that all the claims in the case are patent eligible. They state that the Lourie Group opinion “turns [the case record] on its head.” They also suggest congressional action to provide specific rules of software patents.

Finally, the Rader “Reflections” states a lack of confidence in the views expressed in the judicial decisions of all of the past 25 years on patent eligibility.

Supreme Court Review: Likely or Not?

The future is hard to discern for this case and the tests of the U.S. Patent and Trademark Office and lower courts in deciding whether computer-implemented inventions are patent eligible. On one hand, with the Federal Circuit’s *CLS Bank* opinions being such a stunning disarray of views, the Supreme Court may instantly take the case to calm these troubled, even roiled, waters. On the other hand, with the Federal Circuit having ultimately expressed no judicial rationales at all, at least not as a majority court, the whole matter of patent-eligibility for computer-implemented inventions may long remain open. It may await the day when a future Federal Circuit provides the Supreme Court a decision of one rationale that it can readily review, and vote up or down.

To subscribe or unsubscribe to this Intellectual Property Advisory,
please send a message to Chris Hummel at chummel@bannerwitcoff.com



www.bannerwitcoff.com

© Copyright 2013 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of IP Alert.