

QUESTION PRESENTED BY PETITIONER

Whether claims to computer-implemented inventions including claims to systems and machines, processes, and items of manufacture are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101 as interpreted by this Court?

STATEMENT OF INTEREST OF *AMICI CURIAE*

[FOLLOWING SECTION WILL BE UPDATED DEPENDING ON WHO SIGNS]

Amici curiae are individuals, companies, industry groups, and professional organizations that are directly or indirectly impacted by the uncertainty created by the Federal Circuit in *CLS v. Alice*.¹ While *amici* do not necessarily collectively agree on how the question presented by the Petitioner should be answered, *amici* have a strong interest in ensuring that the U.S. patent laws, and the rules of the U.S. Patent & Trademark Office (“USPTO”) based on those laws, are interpreted correctly and provide for a clear and effective patent system.

Collectively, *amici* have invested tens (or hundreds) of millions of dollars each year on research and development into innovations in their respective fields and on new products and services for their businesses. Many of the *amici* rely on their patent portfolios to protect those investments, and have licensed and/or asserted patents. Likewise, many of the *amici*, including those who have asserted patents, have been sued for patent infringement, and need to be able to reliably evaluate patents of others in order to make business decisions. If fundamental issues relating to the scope of the patent laws are uncertain, *amici*’s ability to operate their businesses is impaired. They cannot reliably plan future investments and products/services and choose which markets to enter and which to leave to incumbents, etc. This is especially true when it comes to uncertainty regarding the threshold question of patent eligibility – *i.e.*, identifying which types of innovations are entitled to the protection of the patent laws to begin with.

[COMPANIES WILL HAVE OPTION TO ADD A SPECIFIC DESCRIPTION]

¹ Letters of consent to the filing of this brief have been lodged with the Clerk by all parties. All parties’ counsel received timely notice of the intent to file this brief. *See* Sup. Ct. R. 37.2. No counsel for any party authored this brief in whole or in part, nor did any person or entity, other than the *amici*, their members, or their counsel, make a monetary contribution to the preparation or submission of this brief. *See* Sup. Ct. R. 37.6.

This case is an opportunity for this Court to bring clarity to a critical issue impacting many patents – the boundaries of patent eligibility under 35 U.S.C. § 101. Accordingly, *amici* request this Court grant the Petition.

ARGUMENT

Amici agree with Petitioner that this case presents an issue of great importance that warrants this Court's attention.

I. The *CLS v. Alice* Case Has Created Confusion and Uncertainty Regarding the Scope of 35 U.S.C. § 101

The issues presented by 35 U.S.C. § 101 have never been simple. However, in the past few years, several important and closely-watched decisions of the Federal Circuit have further confused the law in this area. As such, when evaluating whether their own or a competitor's patent is ineligible for patentability under § 101 for being merely directed to an "abstract idea," market participants are faced with a legal landscape that is uncertain and unmanageable.

Immediately after this Court decided *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), the conventional wisdom was that a patent claim that recited tangible elements (such as computer related elements) could not be deemed to merely be directed to an "abstract idea" (at a minimum it was directed to an application of an "abstract idea") and therefore typically did not raise patent eligibility concerns under § 101.² After *Bilski*, the main area of uncertainty with respect to the "abstract idea" exception to patent eligibility resided in how to determine if a claim that does **not** clearly recite tangible elements, such as computer elements, was too "abstract" to pass muster under § 101. In *Bilski*, this Court held that the machine-or-transformation test is not the sole test for determining the patent eligibility of a process, but rather "a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101."

² This Court has issued several decisions in which it found that claims could fail under § 101 even if the claims recite clearly tangible elements (e.g., computer elements) where such elements were found to be superfluous. In each of these cases, the claims at issue were directed to laws of nature, natural phenomena or mathematical formulas. See, *Gottschalk v. Benson*, 409 U. S. 63, 70 (1972), *Parker v. Flook*, 437 U.S. 584 (1978), *Diamond v. Diehr*, 450 U. S. 175, 182 (1981), *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, ___ U.S. ___, 132 S. Ct. 1289 (2012). There has not been a decision of this Court applying the rationale of these cases to claims not directed to a law of nature, natural phenomena or mathematical formula.

Id. at 3227. This Court therefore found that claims that do not recite a computer element should not necessarily be deemed ineligible under § 101. *Id.* at 3228.

In the years since *Bilski*, there have been several decisions at the Federal Circuit that have caused further confusion over § 101 with respect to the “abstract idea” exception. For example, some panels have found claims unpatentable under § 101 because they were “abstract,” even though they recited computer elements and were not directed to laws of nature, natural phenomena, or mathematical formulas. See *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011) (holding that a “computer readable medium” limitation does not make the otherwise unpatentable method patent eligible under § 101); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012) (invalidating a claim reciting a “computer aided method of managing a credit application” as ineligibly abstract); *Bancorp Servs., L.L.C. v. Sun Life Assurance Co.*, 687 F.3d 1266 (Fed. Cir. 2012) (finding that the patented process failed the “manifestly evident” standard and thus the claims were held invalid as being directed to abstract ideas). None of these decisions finding claims ineligible under § 101 articulate a clear definition of what it means for a claim to be merely directed to an “abstract idea.”

In contrast, other panels have found computer-implemented claims patent eligible under § 101. See *Research Corp. Technologies, Inc. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010) (concluding that it perceived nothing abstract in the subject matter of the processes for an improved method of computing data used for grey-scale printing on a black-and-white printer); *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1325 (Fed. Cir. 2011) (concluding that the method for distributing copyrighted products over the Internet constituted a patentable application rather than an unpatentable abstract idea); *CLS Bank Int’l v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012), *vacated* (finding that computer implemented claims for performing financial settlements

in a particular way that mitigates or eliminates risk, including claims drawn to methods, computer-readable media, and systems, were not abstract ideas and thus were all patent eligible under § 101).

Apparently in an attempt to resolve this conflict, the *en banc* Federal Circuit decided to consider and resolve the following questions in *CLS Bank Int'l v Alice Corp.*, 717 F.3d 1269 (Fed. Cir. 2013) (*en banc*): “What test should the court adopt to determine whether a computer implemented invention is a patent ineligible ‘abstract idea,’ and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise patent-ineligible idea?” As might be expected given the issue’s importance, the *en banc* court’s decision to review this issue received considerable attention from the patent bar at the merits stage. At least 24 *amicus* briefs were submitted with varying opinions and views on the merits.

Unfortunately, the Federal Circuit’s decision only further confused the law. The decision was a one-paragraph *per curiam* opinion upholding the lower court’s decision to find the claims at issue ineligible under § 101. There was no majority agreement on any test or rationale. The Federal Circuit is split into at least three separate camps on the proper analytical approach to the patent eligibility question for computer-implemented inventions, and the Court issued six separate opinions (not counting the “additional reflections” noted separately by the Chief Judge). The plurality camp believes that the § 101 subject matter analysis should include an analysis of novelty and non-obviousness over prior art of the sort done under 35 U.S.C. §§ 102 and 103, and also should include an analysis of whether a claim “preempts” an “abstract idea.”³ Another

³ This “preemption” analysis is similar to the analysis done by this Court in its previous decisions dealing with claims directed to a law of nature, natural phenomena, or mathematical formula. There is a split between different camps regarding whether this Court’s rationale in these cases should apply to the general question of whether a claim is directed to an “abstract idea” where that claim is not directed to a law of nature, natural phenomena or mathematical formula.

camp vehemently disagrees with mixing §§ 102 and 103 analysis in a § 101 analysis as going against the wording of the statute and as contradicting this Court's precedent in *Diamond v. Diehr*, which stated that "The 'novelty' of any element or steps in a process ... is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter." *Diamond v. Diehr*, 450 U.S. 175, 188-189 (1981). A third camp believes that a claim reciting tangible computer elements, by definition, cannot be considered as being merely directed to an "abstract idea." Notably, none of the opinions even offered a clear or direct answer to the core issue originally identified by the *en banc* court – what does it mean to be "abstract"?

Regardless of one's views on the underlying substantive issues, parties on all sides are in agreement that the current state of the law, as reflected in the decision below, is untenable. This is evidenced by the following comments on the Federal Circuit's decision from the patent bar and academia:

- "Unfortunately, the Federal Circuit's decision did nothing to provide clarity and, in fact, perhaps made the interpretation of § 101 more uncertain." *Is the Federal Circuit's CLS Bank v. Alice Corp. Decision a Cry for Help from the Supreme Court?* The Computer and Internet Lawyer.
- "In an ironic twist, the result [of the *en banc* decision] is something more akin to Alice in the Wonderland than the clear guidance patent practitioners were hoping for." Robert Wagner, *Is Software Patentable? Fed Circuit Isn't Sure – CLS Bank v. Alice Corp.*, <http://pitiptechblog.com/2013/05/21/is-software-patentable-fed-circuit-isnt-sure-cls-bank-v-alice-corp/>.

- “‘The law of patentable subject matter is such a mess.’ said Jeff Lewis of Patterson Belknap Webb & Tyler LLP. [the president of the American Intellectual Property Law Association] ‘Nobody knows what patentable subject matter is these days.’” IP Law 360, *Software Patent Mess Hits High Court With WildTangent Case*, <http://www.law360.com/articles/467562/software-patent-mess-hits-high-court-with-wildtangent-case>.
- “In what can only fairly be characterized as a patent tragedy, the United States Court of Appeals for the Federal Circuit now has no official position on the patentability of system claims that objectively recite volumes of tangible structures that clearly satisfy the machine-or-transformation test.” PLI, *Federal Circuit Makes Mess of Software Patents*, <http://patentlawcenter.pli.edu/2013/05/13/federal-circuit-makes-mess-of-software-patents/>.
- “Truthfully, all the important questions that we thought might be answered remain completely and totally unanswered because there were only 10 judges who sat on the *en banc* tribunal and no more than 5 judges signed on to any one opinion.” Gene Quinn, “Federal Circuit Nightmare in CLS Bank v. Alice Corp.” <http://www.ipwatchdog.com/2013/05/10/federal-circuit-nightmare-in-cls-bank-v-alice-corp/id=40230/>.
- “Today, the Federal Circuit handed down a 135-page decision in an effort to set the record straight on what can and cannot be patented under § 101 of the Patent Act. Unfortunately, the ten judges could only agree on 55 words.” Julie Samuels, *Hey, Supreme Court? It's Time to Take Up Software Patents (Again)*, <https://www.eff.org/deeplinks/2013/05/hey-supreme-court-its-time-take-software-patents>.

- “The issue of patentable subject matter eligibility has been in considerable flux. Currently, it’s unclear whether adding computer limitations to an otherwise unpatentable concept somehow renders the concept patent eligible. The Federal Circuit tried to settle this question when the entire court heard *CLS Bank Int’l v. Alice*, 717 F.3d 1269 (Fed. Cir. 2013). But the judges could not find common ground and the decision contained seven separate opinions reflecting at least three distinct approaches. Now it has been suggested that the *CLS Bank Int’l* provided the lower courts with absolutely no guidance.” Bernard Chao, *Interpreting CLS*, <http://www.patentlyo.com/patent/2013/09/interpreting-cls-bank-intl-v-alice.html>.
- “If anything, the court’s fragmented decision creates further confusion in an area of patent law already mired in conflicting, confusing, and often contradictory precedents.” Dorsey Law Firm, *Unclear If CLS Bank v. Alice Really Will Be the “Death of Hundreds of Thousands of Patents,”* http://www.dorsey.com/eu_ip_cls_bank_alice_patents/.
- “In the end, patentees are still without a solid answer as to how far Section 101 reaches to disqualify software or business-method patents as ‘abstract ideas.’” Brie L.B. Buchanan and Angela Holt, *CLS Bank v. Alice Corp.: Section 101 Patent Eligibility: New Federal Circuit Decision Clarifies Nothing*, <http://m.babc.com/cls-bank-v-alice-corp-section-101-patent-eligibility-new-federal-circuit-decision-clarifies-nothing-05-24-2013/>.

II. Since *CLS v. Alice*, There Have Already Been Irreconcilable Decisions at the Federal Circuit and the USPTO

A. Different Panels at the Federal Circuit Apply Different Analyses

Recent decisions of the Federal Circuit, subsequent to the *en banc* decision in this case, further highlight the need for this Court to grant *certiorari* in this case. The outcomes in these cases and the rationale used by the different panels are irreconcilable. In one instance, after this Court remanded a previous Federal Circuit decision, the Federal Circuit in *Ultramercial* found

method claims directed to monetizing and distributing copyrighted products over the Internet to be patentable under § 101. *Ultramercial, Inc. v. Hulu, LLC*, No. 2010-1544, 2013 WL 3111303, at *2 (Fed. Cir. June 21, 2013). The court rejected the idea of dissecting the claim and ignoring “old elements” that are routine or conventional. *Id.*, at *15. Notably, the court recognized “that any claim can be stripped down, simplified, generalized, or paraphrased to remove all of its concrete limitations, until at its core, something that could be characterized as an abstract idea.” *Id.*

However, in another recent decision, the Federal Circuit appears to have used a different approach. *Accenture Global Services, GmbH v. Guidewire Software, Inc.* 2013 WL 3111303 (Fed. Cir. 2013). In this case, the court affirmed a decision finding a claim directed to a computer implemented system for generating tasks based on rules to be completed upon the occurrence of an event ineligible under § 101. The majority used a “preemption analysis to determine whether “additional substantive limitations ... narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.” *Id.* at *15. The *Accenture* majority determined that the claim preempted the abstract idea of “generating tasks [based on] rules ... to be completed upon the occurrence of an event” and therefore, held that the claim was patent ineligible. *Id.* at *15-16. In reaching its conclusion, the majority dissected the claim and ignored certain elements. This contradicts the holding in *Ultramercial*. Again, the *Accenture* majority does not define what it means to be an “abstract idea,” or why the non-computer elements of the claims at issue were being deemed as directed to an “abstract idea.”

Notably, the Chief Judge dissented in *Accenture*, stating that: “The claims require a specific combination of computer components, including an insurance transaction database, a

task library database, a client component, and a server component that includes an event processor, task engine, and task assistant.” *Accenture*, dissent at *3. The Chief Judge criticized the majority for “strip[ping] away” limitations and focusing on the purported abstract idea “at the heart” of the claim. *Id.*, dissent at *4.

B. USPTO Uses Yet Another Approach

The USPTO has taken its own approach to the patent eligibility of computer-implemented inventions. For instance, in a recent post grant review decision from the Patent Trial and Appeal Board (PTAB), *SAP America, Inc. v. Versata Development Group, Inc.*, 107 USPQ2d 1097 (PTAB Jun. 11, 2013), the USPTO declared that “the key question is, therefore, whether the claims do significantly more than simply describe the law of nature or abstract idea.” *Versata*, 107 USPQ2d at 1108. Notably, the claims at issue in *Versata* were not directed to a law of nature, natural phenomena, or mathematical formula. Nonetheless, the USPTO applied authority from this Court’s cases that addressed claims directed to a law of nature, natural phenomena, or mathematical formula. The USPTO held that “each of the challenged claims involves the use of an abstract idea: determining a price using organizational and product group hierarchies, which are akin to management organizational charts. The concept of organization hierarchies for products and customers is abstract as it represents a disembodied concept, a basic building block of human ingenuity.” *Id.* at 1110. The USPTO then held that the claims merely add insignificant, conventional and routine steps that are implicit in the abstract idea itself. *Id.* at 1111. As such, the USPTO held that the claim was patent ineligible.

Amici do not necessarily all agree on which analytical approach to the patent-eligibility question relating to computer-implemented inventions is proper. All *amici* agree that this Court should grant the Petition in order to clarify what it means to be “abstract” under § 101 as well as

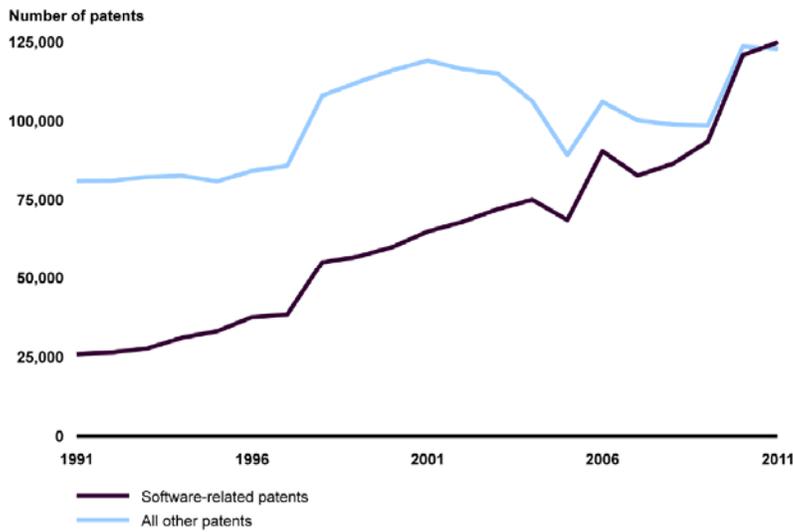
the correct approach to determining whether a claim covering a computer-implemented invention (and that is not directed to a law of nature, natural phenomena or mathematical formula) is patent eligible.

III. Confusion Created by *CLS v. Alice* Is Significantly Impacting Businesses

The confusion created by the conflicting camps at the Federal Circuit and the lack of clarity from any one of those camps presents a significant issue impacting many businesses. Clearly, this confusion directly implicates any patents that claim computer-implemented inventions. Over the past 20 years, the number of computer-implemented inventions in the United States has grown at a significant pace relative to other types of inventions, as reflected in the relative growth of patents claiming computer-implemented inventions. This growth trend was recently highlighted in a report by the United States Government Accountability Office (GAO), which showed that approximately 50% of all granted patents are software-related.⁴

⁴ *Intellectual Property: Assessing Factors that Affect Patent Infringement Litigation Could Help Improve Patent Quality*; United States Government Accountability Office (GAO); Report to Congressional Committees (August 2013).

Figure 1: Number of Software-Related Patents Granted per Year by PTO, 1991 to 2011



Source: GAO analysis of United States Patent and Trademark Office data.

Note: Software-related patents include a number of patent classes that are most likely to include patents with software-related claims, and this includes business method patents.

Regardless of whether a company supports or opposes defining “abstract” to encompass computer-implemented inventions, how the bounds of 35 U.S.C. § 101 are defined will have a drastic impact on a significant cross-section of U.S. patents. In addition, the confusion created by the Federal Circuit also impacts many more patents than just those claiming computer-implemented inventions. The meaning of “abstract” will impact many patents that do not recite computer elements, such as patents directed to methods of playing novel and non-obvious games and surgical procedures.

The current confusion will have many negative impacts on business, including unpredictability at the USPTO regarding which patents it will not allow based on § 101, unpredictability in litigation (including litigation involving patents that issued many years ago), and unpredictability in new and old licensing transactions. As noted by Judge Newman in one of the five *CLS v. Alice* opinions:

Today's irresolution concerning section 101 affects not only this court and the trial courts, but also the PTO examiners and agency tribunals, and all who invent and invest in new technology. The uncertainty of administrative and judicial outcome and the high cost of resolution are a disincentive to both innovators and competitors.⁵

An ultimate decision on the appropriate test for § 101 will impact many patents. As noted by Judge Moore in her dissenting-in-part opinion:

And let's be clear: 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.** ... If all of the claims of these four patents are ineligible, so too are the 320,799 patents which were granted from 1998-2011 in the technology area "Electrical Computers, Digital Processing Systems, Information Security, Error/Fault Handling." Every patent in this technology category covers inventions directed to computer software or to hardware that implements software. In 2011 alone, 42,235 patents were granted in this area. This would render ineligible nearly 20% of all the patents that actually issued in 2011. If the reasoning of Judge Lourie's opinion were adopted, it would decimate the electronics and software industries. There are, of course, software, financial system, business method and telecom patents in other technology classes which would also be at risk. So this is quite frankly a low estimate. **There has never been a case which could do more damage to the patent system than this one.**

Moore op. at 2 including n. 1, emphasis added. *Amici* note that Judge Moore's statement above actually understates the potential impact of the *CLS v. Alice* decision. The art unit cited by Judge Moore handles just a small number of the total number of patents involving software. Furthermore, Judge Moore does not take into account the impact that a definition of "abstract" will have on non-computer-related inventions.

⁵ *CLS Bank Int'l v Alice Corp.*, 717 F.3d 1269 (Fed. Cir. 2013) (en banc)

It is important for all parties, including inventors, companies who own patents, entities accused of infringing patents, investors, the USPTO and the courts, to have clear guidance on the metes and bounds of patent-eligible subject matter. Under the current state of the law, § 101 will become a litigated issue in at least every lawsuit involving a patent with a method claim and the outcome of each lawsuit on this issue will be impossible to predict. Without clarity, it is nearly impossible for businesses and individuals to make well-informed decisions on issues that implicate the development or use of computer-implemented inventions. This includes all aspects of patent strategy such as, conducting research and development, whether to invest in the underlying technology, whether to file a patent application, whether to continue paying maintenance fees on an issued patent, whether to invest in a company relying on protecting its innovations with patents, and whether to license a company's IP or challenge the patent in the courts systems.

IV. *CLS v. Alice* Is Presently the Best Case for This Court to Address the Current § 101 Confusion

Amici realize that there is a pending petition for *certiorari* from another Federal Circuit case that addresses § 101 issues.⁶ Furthermore, on or before November 8, 2013, there is likely to be yet another petition for *certiorari* from another Federal Circuit case that also addresses § 101 issues.⁷ While *amici* do not express an opinion herein regarding the merits of those petitions or cases, *amici* submit that Alice's petition is the most appropriate for this Court to grant *certiorari* for at least two reasons. First, the patent claims at issue in the *CLS v. Alice* case cover the full

⁶ *WildTangent, Inc., v. Ultramercial, LLC, et al.*, No. 13-255 (Petition for a writ of certiorari filed on August 23, 2013)

⁷ *Bancorp Services, LLC, v. Sun Life Assurance Co., et al.*, No. 13A185 (Docketed August 13, 2013. Application (13A185) granted by The Chief Justice extending the time to file until November 8, 2013.)

range of computer-related inventions in that they include method, machine/system and article of manufacture claims. The other two cases do not include machine/system claims. Second, the other two cases each were the result of decisions from a single panel of three judges at the Federal Circuit. *CLS v. Alice* was an *en banc* case that includes the viewpoints of all camps at the Federal Circuit.

CONCLUSION

Amici urge this Court to grant the Petition to bring clarity to the meaning of “abstract” under § 101 and to resolve whether claims to computer-implemented inventions are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101.