Presented:
19th Annual Advanced Patent Law Institute

November 6-7, 2014
Austin, Texas

Post-Alice 101 Cases

Mark A. Lemley

and

Madeleine Laupheimer

Post-Alice 101 Cases[1]

Mark A. Lemley[2] & Madeleine Laupheimer[3]

Table of Contents

---

[2] William H. Neukom Professor, Stanford Law School; partner, Durie Tangri LLP.

[3] J.D. candidate, Stanford Law School.

***Alice Corp. Pty., Ltd. v. CLS Bank International* 134 S.Ct. 2347 (2014)**

Alice's patent involved both system and process claims. All claims recited "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.'"[4] In other words, the patents claimed a computer-implemented business method that uses an intermediary to reduce risk in certain financial transactions—in essence, a two-sided escrow arrangement. At their core, the process claims were business methods, although they did require a computer. The system claims simply recited a computer configured to perform the method.

In December 2013, the Supreme Court granted certiorari on the question whether "claims to computer-implemented inventions—including claims to systems and machines, processes, and items of manufacture—are directed to patent-eligible subject matter" under § 101.[5] Without answering that sweeping question, the Court held more narrowly that all the claims at issue were drawn to unpatentable abstract ideas, which were not made patentable by virtue of being computer-implemented.[6]

The Court began by articulating the need to "distinguish between patents that claim the buildin[g] block[s] of human ingenuity," which impede innovation by pre-empting tools of invention, and patents that "integrate the building blocks into something more," which deserve protection.[7] The Court went on to adopt the two-step test from *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*[8]: (1) "determine whether the claims at issue are directed to . . . patent-ineligible concepts" and (2) determine whether additional elements in the claims reach the level of an "inventive concept" which could "transform the nature of the claim into a patent-eligible application."[9]In applying step (1),the Court found that it need look no further than *Bilski v. Kappos*.[10] Just like the risk-hedging of *Bilski*, the Court found that "the concept of intermediated settlement is 'a fundamental economic practice long prevalent in our system of commerce,'" and therefore an abstract idea.[11] The Court did not undertake to "delimit the precise contours of the 'abstract ideas' category," but satisfied itself by finding "no meaningful distinction" between the concepts in *Bilski* and the case at hand.[12]

In applying step (2), the Court gathered precedent showing that neither "stating an abstract idea while adding the words 'apply it'"[13] nor "limiting the use of an abstract idea to a particular technological environment"[14] is enough to render an abstract idea patentable. Therefore "[s]tating an abstract idea while adding the words 'apply it with a computer'" is similarly "deficient."[15]

---

[4] CLS Bank Int'l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1274 (Fed. Cir. May 10, 2013).
[5] Brief for Petitioner, at *i, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 734 (Dec. 6, 2013).
[6] Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S. Ct. 2347, 2352 (2014).
[7] *Id.* at 2354-55 (alteration in original) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303 (2012)).
[8] 132 S. Ct. 1289 (2012).
[9] *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294, 1296-98) (internal quotation marks omitted).
[10] 561 U.S. 593 (2010).
[11] *Alice*, 134 S. Ct. at 2356 (quoting *Bilski*, 561 U.S. at 611) (internal quotation marks omitted).
[12] *Id.* at 2357.
[13] *Id.* at 2358 (quoting *Mayo*, 132 S. Ct. at 1294) (internal quotation marks omitted).
[14] *Id.* (quoting *Bilski*, 130 S. Ct. at 3218) (internal quotation marks omitted).
[15] *Id.*

With respect to the method claims of the patent, the Court found that "the function performed by the computer at each step of the process is '[p]urely conventional.'"[16] Taken as a whole, the method claims "simply recite the concept of intermediated settlement as performed by a generic computer."[17] As this is not enough to transform claims drawn to abstract idea into patentable subject matter, the Court held that the method claims were invalid.[18]

Moving on to Alice's system and media claims, the Court found them invalid for "substantially the same reasons."[19] All the computer hardware elements recited in the claims were "purely functional and generic," such that "the system claims recite a handful of generic computer components configured to implement" an unpatentable abstract idea.[20] This is merely the converse of the method claims, and unpatentable for the same reasons.[21]

In a short concurring opinion joined by Justices Ginsburg and Breyer, Justice Sotomayor wrote that she "adhere[d] to the view that 'any claim that merely describes a method of doing business does not qualify as a process under § 101.'"[22] As she also believed that the method claims at issue here were drawn to an abstract idea, she joined the opinion of the court.[23]

***BuySAFE, Inc. v. Google, Inc.*, No. 2013-1575, 2014 WL 4337771, at *1 (Fed. Cir. Sept. 3, 2014)**

In this Federal Circuit decision written by Judge Taranto, the court invalidated buySAFE's patent under § 101.[24]

The patent at issue covered a method of "guaranteeing a party's performance of its online transaction," roughly comprising (1) receiving a request for a secure transaction over the internet, (2) underwriting the transaction, and (3) providing a guarantee "via a computer network."[25] The district court had granted Google's motion for judgment on the pleadings, ruling that the claims were invalid under § 101.[26]

Applying the two-step test from *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*,[27] the court found that the subject matter claimed was an abstract idea, which, like the subject matter of *Alice* and

---

[16] *Id.* at 2359 (alteration in original) (quoting *Mayo*, 132 S. Ct. at 1298).
[17] *Id.*
[18] *Id.* at 1257.
[19] *Id.* at 2360.
[20] *Id.*
[21] *Id.*
[22] *Id.* (Sotomayor, J., concurring) (quoting *Bilski*, 561 U.S. at 614) (internal quotation marks omitted).
[23] *Id.* at 2360-61.
[24] BuySAFE, Inc. v. Google, Inc., No. 2013-1575, 2014 WL 4337771, at *1 (Fed. Cir. Sept. 3, 2014).
[25] *Id.* (citing U.S. Patent No. 7,644,019 (filed Apr. 21, 2003)). The whole representative claim reads:

> A method, comprising: receiving, by at least one computer application program running on a computer of a safe transaction service provider, a request from a first party for obtaining a transaction performance guaranty service with respect to an online commercial transaction following closing of the online commercial transaction; processing, by at least one computer application program running on the safe transaction service provider computer, the request by underwriting the first party in order to provide the transaction performance guaranty service to the first party, wherein the computer of the safe transaction service provider offers, via a computer network, the transaction performance guaranty service that binds a transaction performance guaranty to the online commercial transaction involving the first party to guarantee the performance of the first party following closing of the online commercial transaction.

[26] *Id.* at *2.
[27] 134 S. Ct. 2347 (2014).

Title search: Post-Alice 101 Cases

Also available as part of the eCourse
Patentable Subject Matter Updates: Software and Business Methods, plus Life Sciences

First appeared as part of the conference materials for the
19th Annual Advanced Patent Law Institute session
"Patentable Subject Matter: Software and Business Methods"