IP Alert: Supreme Court Justice Characterizes Alice v. CLS Bank As Being On The Idea Of “Solvency,” Or “Computer, Stop;” While All Justices Search Among King Tut, Scylla, Charybdis And Archimedes For Inspiration

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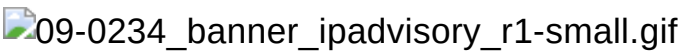

Supreme Court Justice Characterizes *Alice v. CLS Bank* as Being on the Idea of "Solvency," or "Computer, Stop;"

While All Justices Search Among King Tut, Scylla, Charybdis and Archimedes for Inspiration

By Charles W. Shifley

The U.S. Supreme Court heard oral argument on March 31 in *Alice v. CLS Bank*, the much anticipated case concerning whether inventions executed on computers are patent-eligible subject matter under the "abstract idea" test.

In *Alice*, the petitioner Alice is a patent owner whose invention was found not patent-eligible. It sought to convince the Supreme Court that its process and system claims to intermediated settlements in trading situations are patent-eligible. The invention faced an uphill battle at the Supreme Court.

Alice argues for its patent

The petitioner's argument in *Alice* began with counsel Carter Phillips asserting that the only issue to be resolved was whether the existing standard against the patenting of natural phenomena, laws of nature and abstract ideas applied. Justice Breyer, author of *Mayo v. Prometheus* and author of a concurring opinion in *Bilski v. Kappos*, immediately interjected that intermediate settlement was no different than the hedging found ineligible for patenting in *Bilski*. Interestingly, Mr. Phillips conceded that if the patent in suit claimed intermediated settlements, it would not have a distinction from *Bilski*. But he also conceded that with the idea of the patent in hand, a second-year college class in engineering could program the idea over the weekend.

Justice Breyer proceeded to compare the idea to King Tut hiring a man with an abacus to keep track of King Tut giving away chits of gold. Upon seeing on his abacus that a limit had been

reached, the “abacist” would say “stop.” He then compared the invention to the same thing with a grain elevator, reservoir of water and his checkbook — the checkbook watched by his mother. To him, the invention was simply maintaining solvency, or meant to cover the command, “computer, stop.” Justice Sotomayor added that she also saw only a function of reconciling accounts, making sure they were paid on time.

Justice Scalia took an opposite tack, asserting that the cotton gin was comparable to the invention because the gin was simply doing through a machine what people once did by hand. But Justice Breyer reasserted himself, with candid words about the limits of Supreme Court decision-making. He stated that in *Mayo v. Prometheus*, he “couldn’t figure out much … beyond what [he] thought was an obvious case, leaving it up to [the bench and bar] to figure out how to go further.” Mr. Phillips asserted that the Court should consider all inventions patent-eligible so long as they do not state fundamental truths, or “simply say use a computer.” Justice Kennedy asked whether the invention could have been patented without mention of a computer, and Mr. Phillips answered “absolutely not.” He then advocated that with his invention and “almost all software,” “any computer group of people sitting around a coffee shop in Silicon Valley could [write the code] over a weekend.”

Justice Breyer pointed out that 42 briefs had been filed in the case by the parties and amici. He stated they were helpful “up to the point where [the Court] has to make a decision.” The problem, he stated, is that if processes implemented on the computer are universally eligible for patent, then competition will not be on the basis of price, service and better production methods, but on who has the best patent lawyer. But on the other hand, if computer-implemented inventions are never patent-eligible, real inventions with computers are ruled out. The issue is “how to go between Scylla and Charybdis,” roughly, between a rock and a hard place.

Asked to step out of his client representation and give the Court advice, an odd request, Mr. Phillips advocated that in providing a covered business method procedure in the America Invents Act, Congress did not say “no” to business method patents. It instead intended to take the resolution of eligibility out of the courts and put it in the Patent Office. His advice, then, was that the Court liberally interpret 35 U.S.C. § 101, and leave the culling of appropriate business method patents to 35 U.S.C. §§ 102 and 103. However, Justice Ginsburg pointed out that four justices in *Bilski* did not liberally interpret the legislative history of 35 U.S.C. § 101 as he suggested. Diverting the argument, Justice Scalia stated that the Court had not concluded in its prior decisions that “you can’t take an abstract idea and then say here is how you implement it,” meaning, apparently, that he might find eligibility for computer implementations that required “how to” explanations.

CLS argues against the patent

Mark Perry next appeared for CLS Bank. He immediately asserted that the path between Scylla and Charybdis was charted in *Bilski* and *Mayo*. *Bilski*, he said, held that a fundamental economic principle was an abstract idea, and *Mayo* held that running such a principle on a computer was “not a patentable application of that principle.” Dramatically he asserted, “If *Bilski* and *Mayo* stand, Alice’s patents fail.”

In response to questions posed by Justice Kennedy and Justice Sotomayor regarding exemplary business processes that were patentable, Mr. Perry provided examples including encryption technology, solutions to limitations on streaming video and certain e-mail and word processing technology. He further advocated that "only where the method will not work without a computer," is there to be a patent. He also strongly asserted that blanket eligibility and blanket ineligibility for computer-implemented inventions are both wrong. The rule, he asserted, "will not be bright-line" and the Court must be "contextual," "nuanced" and "look at things in a more robust way."

Mayo, Mr. Perry asserted, stated: "Simply implementing a fundamental principle on a physical machine, namely a computer, is not a patentable application of that principle." Asked why if the test was simple, the Federal Circuit struggled, Mr. Perry responded that the Federal Circuit includes a significant element that disagrees with *Mayo* and has been resistant to applying it. To retreat from the unanimous decision of *Mayo*, he asserted, "would reward intransigence, difficulty, refusal to adhere to what are clear precedents." Concluding, Mr. Perry asserted the problem was small, with only 57 district court decisions on 35 U.S.C. § 101 since *Bilski* and only 12 Federal Circuit decisions on computer implementation.

The forecast is for Alice loss

Notable is that the patent owner, through Mr. Phillips, admitted there was no invention in the case in the software by which the intermediated settlements of the case was implemented. The computer implementation, he conceded, was the stuff of college class members programming over a weekend, or even weekend programming at a coffee shop. He combined this with agreeing that if the patent claimed intermediated settlement, the case result was to be just as in *Bilski*. This argument likely may doom the specific patent at issue. The Court will likely take the easy path, and affirm that the invention of the patent is not patent eligible.

The transcript of the oral argument in *Alice v. CLS Bank* can be found here.

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