

## PATENT ELIGIBILITY AFTER ALICE



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US patent and intellectual property attorneys face a significant challenge in guiding inventors active in the new digital economy who wish to protect their software and business method-related ideas. The US Supreme Court decision in *Alice v CLS Bank* (2014) regarding the eligibility of subject matter for patent protection has had an enormous impact on the ability to protect computer-implemented inventions in particular.

While the issue in *Alice* involved certain patent claims covering the facilitation of financial transactions, the effect of the court's decision on software and business method patents is profound. The court found that the patent claims in issue were drawn merely to an abstract idea, and that implementing those claims utilising a computer was not enough to transform that idea into subject matter entitled to patent protection.

This has given rise to a marked increase in motions by accused infringers in litigation seeking to invalidate such patents, as well as an increased difficulty in getting software and business method patent applications allowed. More than half of *Alice* motions have been successful, with more business method than software patents being declared invalid. This has given encouragement to those who are the targets of such patents. And it presents a challenge to patent attorneys seeking to guide their clients active in these areas.

The diverse nature of the parties interested in this area of the law is best shown by the fact that 52 *amicus curiae* briefs were filed by interested parties urging the Supreme Court in *Alice* to decide the issue of software patent eligibility. These included the Institute of Electrical and Electronics Engineers, the US Patent and Trademark Office itself, Google, Amazon, Microsoft, Adobe, HP, IBM, and a consortium of retailers and manufacturers.

### Post-*Alice* decisions

Given the foregoing, are we to have a funeral for software patents after the *Alice* decision? The answer is an emphatic "no". As recently as May 12, 2016, the US Court of Appeals for the Federal Circuit in the significant post-*Alice* decision of *Enfish v Microsoft* provided hope for software patents.

In applying the test of whether the patent claims at issue met the requirements of Title 35, Section 101, the analysis of the Federal Circuit concluded that the claims did meet the requirements of this section. The court found that the subject software patent could not even be considered merely an abstract idea, referring to the patent's specification, which taught functional differences between the invention's disclosure and conventional databases.

In addition to the *Enfish* case, two other 2016 Federal Circuit decisions upheld the validity of patents challenged under *Alice*. These include the June 27 case of *Bascom Global Internet Services v AT&T Mobility*, which upheld as eligible the concept of installing customisable filtering tools at locations remote from end users, as well as the September 13 case of *McRO v Bandai Namco Games America*, which upheld as eligible the concept of

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generating automated lip synchronisation and associated facial expressions of 3D animated characters.

While these three decisions will provide music to the ears of investors who have financially supported tech-based companies the major assets of which include software and/or business method patents, clearly this area of the law is still developing and a degree of uncertainty will be with us for some time. Some companies, especially startups, may experience greater difficulty in attracting investments in software-related inventions.

A wholesale abandonment of this technology sector is unlikely. Companies that are able to self-finance their patent portfolio are best served by filing patent applications covering significant software and business method improvements and novel modifications. Over the next three to five years, we should have a better idea of the line to be drawn between patent-eligible inventions and others, as well as a better idea of what the courts will define as "abstract ideas". We cannot determine whether an idea is merely abstract if we don't understand the meaning and scope of this term.

What are patent practitioners supposed to do when advising clients whether their software-related inventions may be protected by patents? It is my opinion that embarking on an optimistic approach will best serve clients. By the judicious filing of patent applications with claims of varying scope and breadth, you will create a patent-eligible insurance policy. ■

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