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Are Software Patents Dead? What You Need to Know about *Alice Corp. v. CLS Bank*

A Sterne Kessler Webinar

June 20, 2014

Md Medical Devices
Na Nanotechnology
Ds Data Security
Bt Biotechnology
S Software
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Background

- Computer implemented scheme for mitigating “settlement risk (i.e., the risk that only one party to a financial transaction will pay what it owes) by using a third-party intermediary.
- The computer was the third party intermediary
- Method, System and Computer Program Product claims

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Background

- A five member plurality panel at the Federal Circuit held that all the claims were not patent eligible applying *Mayo*
- A majority of the court found that the method and computer program product claims were not patent eligible
- Certiorari was granted by the Supreme Court

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What did the decision say/suggest

- *The test articulated in Mayo* applies to abstract ideas; thus providing guidance on what test to apply
- *The Court reiterated that they must tread carefully in construing the abstract idea principle lest it swallow all of patent law*
- *The Court distinguished between building blocks of human ingenuity and those that integrate the building blocks into something more thereby transforming them into a patent-eligible invention*
- Software remains statutory subject matter

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What did the decision say/suggest

- Stating an abstract idea while adding the words “apply it” is not enough for patent eligibility.
- The mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention
- *Patents can still be obtained for Business Methods*

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What did the decision NOT say

- The Court did not Define “Abstract Idea.”
- The Court stated “we need not labor to delimit the precise contours of the “abstract ideas” category in this case.

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Impact on USPTO

- Patent Claiming
  - As much detail as possible to distinguish from abstract idea – but strategically
- Patent Applications
  - Support claims in equal detail
  - Identify “technological process” having failings the invention purports to solve
- Prosecution
  - In response to § 101 rejection, address differences over convention/common sense
  - Depth and quality of spec will be important

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Impact on PTAB

- CBM proceedings
  - Emboldens petitioners' use of § 101 grounds
  - For patent owners, "technological invention" test may hold key to § 101 analysis
- Supplemental Examination
  - § 101 available for review
  - Decision required in 3 months from request
  - If §101 issue found, *ex parte* reexam rules regarding patents and printed pubs do not apply

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Impact on District Court

- Leave to amend or amend invalidity contentions
- Motions to dismiss, Summary Judgment, JMOL
- Frame the issue for the Court

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Impact on District Court (cont.)

- Defendant
  - Short, crisp statement of the abstract idea
  - Everything else is generic and well known
- Plaintiff patent owner:
  - Defendant's characterization is a gross oversimplification
  - The inventive concept goes beyond any abstract idea

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Impact on Federal Circuit

- Procedurally:
  - Briefing in progress:
    - As long as § 101 is a valid issue on appeal, work the case into your briefs.
  - Briefing Complete:
    - FRAP 28(j) and Federal Circuit Rule 28(i) "Citation of Supplemental Authorities."
  - Oral Argument Complete:
    - Rules 28(j) and 28(i) still

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Impact on Federal Circuit (cont.)

- Results still likely to be panel dependent
  - At least until body of case law builds, or court provides clarification in an en banc decision
- Impact on other cases?
  - *Ultramercial v. Hulu* (Rader, Lourie, O'Malley)
    - broadly permissive nature of Section 101
    - abstract idea vs. a practical application of the idea
  - *Cyber Source v. Retail Decisions* (Bryson, Dyk, Prost)
    - purely mental steps vs. computer-required steps

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Key Takeaways

- Mayo applies to software
- During litigation, frame the issue
- Quality patent prep & prosecution
- Computers are not enough to save a claim

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Thank You

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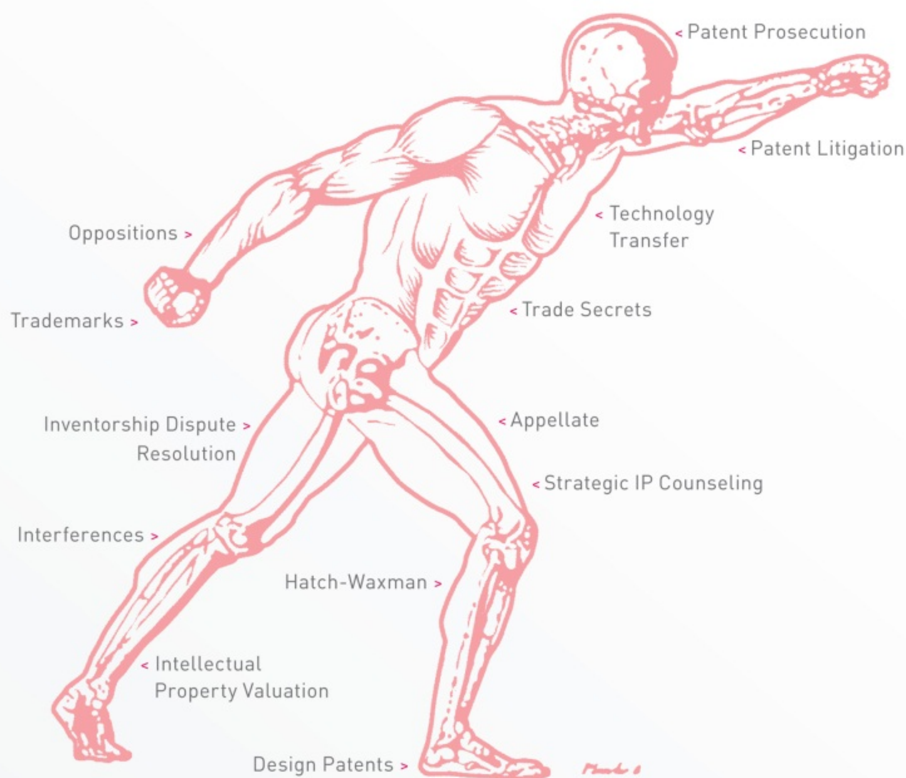

Robert E. Sokohl
rsokohl@skgf.com

Jon E. Wright
jwright@skgf.com

Michelle K. Holoubek
holoubek@skgf.com

Jonathan M. Strang
jstrang@skgf.com

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