

# THE DAILY RECORD

Tuesday, November 21, 2017 / Volume 109 / Number 225 / \$2.00 • Western New York's trusted source for legal and real estate news

## IP FRONTIERS

### State of computer-related patents under §101 after Alice

35 U.S.C. §101 states that “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

In the first part of the two-part test set out by the Supreme Court in *Alice Corp. v. CLS Bank International*, 573 U.S. \_\_\_, 134 S. Ct. 2347, the claims are reviewed to determine if they are directed to a judicial exception, i.e., a law of nature, natural phenomena or abstract idea.

With regard to an abstract idea, the cases seem to be more conclusory, lacking a thorough explanation. Many times it seems as if the test was whether the claims are computer-related and, if so, there must be an abstract idea. Nonetheless, in the second part of the test, an inquiry is made as to whether the claim includes additional inventive elements that transform the claim into patentable subject matter. Although there is no definition of what those additional elements need to be, it is clear that it needs to be more than merely applying the abstract idea to a particular technological environment (e.g., a general-purpose computer). Related inquiries include whether a particular claim preempts a field of activity, i.e., does it usurp all other ways to achieve the same outcome.

The §101 inquiry has proven to be amenable to early determination in litigation, and courts have not required a formal claim construction for a §101 determination. The odds of succeeding



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with a §101 challenge are squarely in favor of the patent challenger, invalidating the patent about two-thirds of the time. Patents surviving the §101 inquiry have claimed specific solutions, such as discrete structures, specific problems (i.e., much narrower than patent claims tend to be) for specific results or claim an improvement in the functioning of the relevant technology (e.g., improving computer processing performance, or improving database performance). In practice, this is easier said than done, but is by no means impossible.

In an illustrative example, take the case of *Content Extraction and Transmission LLC v. Well Fargo Bank, et al.*, Fed. Cir. 2014. The independent claims were quite broad, though ATM machines were the practical use; essentially, scanning a document, recognizing certain data in the document and storing the data in memory. The Fed. Cir. noted that people have physically done this for years, for example, physical checks processed by a bank. It should be no surprise that the court found an abstract idea and the claims to be §101 ineligible. However, this case is a good example to examine if anything might have been done differently with the patents involved. The claims perhaps could have been more narrow,

drawn to solving one or more specific problems with ATM machines utilizing specific technology. For example, the outcome may have been different if the invention disclosed and claimed an improvement in the clarity and/or speed of the scan, an improvement in the accuracy and/or speed of the character recognition, an improvement in the storage speed or even the use of a more efficient and/or better structure of the database for the data.

In light of the low numbers of computer-related patents surviving the §101 inquiry (currently, only about one-third), momentum may be gathering for a legislative solution. As I have always said, it is not *Alice* that is the problem, but the application of *Alice* that has proven to be a problem. Three leading industry groups, the Intellectual Property Owners Association (IPO), the American Intellectual Property Law Association (AIPLA) and the American Bar Association (ABA), have all proposed changes to §101 of the Patent Laws. Although they all approach it somewhat differently, the common sought-after effect is clear: to rebalance the §101 outcomes.

The IPO and AIPLA proposals are very similar; essentially, they state that an invention is not patentable subject matter only if it exists independently in nature without any human input/activity. The ABA proposal is different; it says an invention is not patentable subject matter only if it would preempt

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all practical applications of a law of nature, natural phenomenon or abstract idea (i.e., for those inventions found to be within the judicial exemptions). The ABA proposal also insists that each claim limitation and the claim as a whole must be considered. Further, the ABA proposal would prevent a mixing of the patentable subject matter inquiry with other sections of the patent law having to do with prior art or formal issues with the claim language.

Although no legislation has been introduced as yet, the Congressional Research Service (CRS) published a report for Congress on Sept. 8, 2017, titled “Patentable Subject Matter Reform.” The CRS report provides background information, outcomes of court cases and proposed legislation from major industry groups. The CRS report tries its best to remain neutral on making any changes to the Patent Laws, but seems to end up leaning in the direction of reform.

While the statutory subject matter treatment of computer-related inventions is in flux, the tide may be turning toward a more balanced approach. However, it would appear that legislation is needed to accomplish that.

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