On June 19, 2014, the Supreme Court issued its landmark ruling, *Alice Corporation v. CLS Bank International*, 134 S. Ct. 2347 (Jun. 19, 2014) ("Alice"). In that decision, the court further defined - or better yet redefined - what qualifies as a “patentable” invention. *Alice* did not send ripples but shock waves through the patent bar and despite the passage of several months, inventors, patent attorneys/agents, and patent examiners are still struggling with the bounds of what constitutes patent-eligible subject matter. In fact, as of early 2015, patent examiners are just now receiving training as to what constitutes patent-eligible subject matter, as described in *Alice*, and inventors and patent practitioners still wonder where the patentability lines are drawn on products of nature and abstract ideas. Most affected by *Alice* are business method and software patents. This article will discuss the still lingering effect of *Alice* on inventors.

**The Nature of Patents**

A basic premise of patent law is that "Whoever invents or discovers a new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent...” (35 U.S.C. § 101.) That being said, laws of nature, nature-based products, and abstract ideas are not patentable, and patent applications claiming such will trigger a “101 rejection” from examiners. To some degree, however, all inventions are based on laws of nature, natural phenomena and/or abstract ideas. Consequently, in determining what is patent-eligible subject matter, patent examiners must distinguish between patents that claim the building blocks of human ingenuity, and those that integrate the building blocks into something more, thereby transforming laws of nature, nature-based products, and abstract ideas into patent-eligible inventions.

**What Alice Held**

In *Alice*, Alice Corporation was the assignee of several patents that disclosed a scheme for mitigating settlement risk (i.e., the risk that only one party to an agreed-upon financial obligation will satisfy its obligations). Banks brought an action to invalidate the patents while Alice Corporation sued for infringement. The parties filed cross-motions for summary judgment, and the District Court held that the claims were ineligible for patent protection because they are directed to an abstract idea. Alice Corporation appealed and a divided Court of Appeals for the Federal Circuit affirmed. Alice Corporation sought review by the Supreme Court.
The Supreme Court affirmed the lower courts. In doing so, it held that the patents were not eligible for patent protection because the claims were directed to an abstract idea. In reaching its decision, the Court indicated that the “intermediated settlement” in Alice Corporation’s patents, like the hedging scheme rejected by the Supreme Court in its 2010 decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), is an abstract idea, and simply implementing such abstract idea on a computer is not enough to transform the idea into patentable subject matter. In so holding, the court stated:

“[T]he claims at issue amount to ‘nothing significantly more’ than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer. [Citations omitted]. Under our precedents, that is not ‘enough’ to transform an abstract idea into a patent-eligible invention.” (*Alice* at 1260, citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 St. Ct. 1289, 1297-98, emphasis in original.)

**What is Enough**

In light of the court’s holding, inventors now wonder, what is enough to transform an abstract idea into a patent-eligible one. Since the *Alice* decision, the U.S. Patent and Trademark Office (“USPTO”) has been trying to answer that very question.


While the guidelines and materials help, more is needed. Noteworthy is that the USPTO guidelines are “preliminary” or “interim.” No timeline exists for “final” guidelines, and any additional guidelines will likely be influenced by further court rulings analyzing business method and software patents.

**Conclusion**

Because of the lack of clarity, until such time that final guidelines are issued, or the bounds of patentability are clearly defined by case law, it is more critical than ever to consult with a patent attorney who has a thorough grasp of relevant case law, guidelines, and examples, and who has first-hand experience working through 101 rejections with the USPTO. It may also be beneficial to keep in mind that, in some cases, there may be ways, other than by patenting, in which business methods and/or software may be protected (e.g., as trade secrets or by copyrighting).

The author, Sherrie M. Flynn, is an attorney in the Fresno office of Coleman & Horowitt, LLP, where she works in the firm’s litigation department. Sherrie, who is registered as a patent attorney with the USPTO, represents clients in intellectual property matters including the prosecution, licensing, assignment and enforcement of patents, trademarks, copyrights, trade dress and trade secrets. She also represents clients in complex commercial, business, real property, unfair competition and construction litigation and alternative dispute resolution. Sherrie received an engineering degree from Carnegie Mellon University and her J.D. from San Joaquin College of Law, where she served as the managing editor of the Agricultural Law Review. Sherrie is a member of the Fresno County Bar, ABA (Intellectual Law Section), LAIPLA (Los Angeles Intellectual Property Law Association), and ABTL. She can be reached at (559) 248-4820/(800) 891-8362 or sflynn@ch-law.com.

**THANK YOU**

We recognize that no business can grow without referrals. We value the confidence you have placed in us with your business and referrals. We hope you will continue to show us your confidence with future referrals.
The Intellectual Property group at Coleman & Horowitt, LLP provides a wide range of services for entrepreneurs and established businesses. Our intellectual property lawyers can help you protect your ideas and provides representation in patent prosecution, trademark and trade name registration, trade dress, copyrights and trade secrets as well as licensing and sale of patents, trademarks and copywritten materials. Many of our attorneys are also entrepreneurs who can assist in the commercialization of your intellectual property. Our litigation department can also help you enforce your intellectual property rights in administrative proceedings (TTAB, USPTO and ICAN) and in litigation in state and federal courts in matters involving trademarks, Lanham Act, unfair competition, trade secrets and complex commercial disputes, including class actions.

Darryl J. Horowitt - Litigation/Applications
E-Mail: dhorowitt@ch-law.com Ext. 111

William H. Coleman - Transactions
E-Mail: wcoleman@ch-law.com Ext. 110

David J. Weiland - Litigation
E-Mail: dweiland@ch-law.com Ext. 106

Matthew R. Nutting - Transactions/Licensing
E-Mail: mnutting@ch-law.com Ext. 147

Judith M. Sasaki - Litigation/Licensing
E-Mail: jsasaki@ch-law.com Ext. 202

Laurence Y. Wong - Litigation
E-Mail: lwong@ch-law.com Ext. 201

C. Fredrick Meine III - Litigation
E-Mail: fmeine@ch-law.com Ext. 134

Sherrie M. Flynn - Registered Patent Attorney
E-Mail: sflynn@ch-law.com Ext. 105

Gary S. Shuster - Litigation/Commercialization
E-Mail: gshuster@ch-law.com Ext. 115

Greg J. Norys - Litigation
E-Mail: gnorys@ch-law.com Ext. 116

Rema M. Koligian - Litigation
E-Mail: rkoligian@ch-law.com Ext. 146

Daniel R. Rudnick - Litigation/Commercialization
E-Mail: drudnick@ch-law.com

Coleman & Horowitt, LLP provides legal counsel to the business community in the areas of business, commercial, and real estate litigation and transactions, construction litigation, appeals, professional liability defense, casualty insurance defense, insurance coverage, intellectual property (patent prosecution, trademark, copyright, trade secrets, and unfair competition), tax, probate, and estate planning. This newsletter is intended to provide the reader with general information regarding current legal issues. It is not to be construed as specific legal advice or as a substitute for the need to seek competent legal advice on specific legal matters. This publication is not meant to serve as a solicitation of business. To the extent that this may be considered as advertising, then it is herewith identified as such.

© 2015 Coleman & Horowitt, LLP