The Effect of the Alice Supreme Court Ruling On Computer-implemented Patents

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VP Technology,
The “Alice” Decision

SUPREME COURT OF THE UNITED STATES

Syllabus

ALICE CORPORATION PTY. LTD. v. CLS BANK INTERNATIONAL ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Inside “Alice”

We hold that the claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a patent-eligible invention.
Uspto 2014 guidance
- *Alice Corp. v. CLS Bank Int'l* dramatically changed the patent-eligibility landscape for software and business method claims.

- One test to rule them all...regardless of statutory class:
  - **First Prong:**
    - Is the claim at issue directed to a judicially-excluded law of nature, a natural phenomenon, or an abstract idea?
  - **Second Prong:**
    - If so, then is any element, or combination of elements, sufficient to ensure that the claim amounts to "something more" than the judicial exclusion.
    - Generic computer implementation of an otherwise abstract process does not qualify as "something more".

This information from “Top Patent Law Stories of 2015” (Live MBHB Webinar)
In the District Courts:

- Approximately 70% of all patents challenged under *Alice* are found invalid
  - Over 11,000 total claims

- About half of these were decided on the pleadings, with no claim construction
  - Great for defendants, bad for patentees
  - A questionable practice overall

- Worst districts for patentees (10 or more § 101 decisions)
  - Delaware, California Northern, California Central (>70% invalid)

- Best districts for patentees (10 or more § 101 decisions)
  - Texas Eastern (<35% invalid)


This information from “Top Patent Law Stories of 2015” (Live MBHB Webinar)
In the Patent Trials Appeal Board

- All patents challenged under § 101 in the Covered Business Method (CBM) program have been found invalid.

- CBM institution rate hovers around 83%.

- PTAB appeal decisions from § 101 rejections are all over the map.
  - Clear reasoning not always present.

This information from “Top Patent Law Stories of 2015” (Live MBHB Webinar).
USPTO Guidance

- Several categories of inventions that can be eligible:
  - Computer control of industrial processes (*Diehr*)
  - Invention fundamentally rooted in computer technology (*DDR Holdings*)
  - Image processing
  - Computer malware scanning and removal
  - Geolocation using GPS hardware
  - Triggered retrieval of stock quote data
  - GUI that automatically relocates obscured information

This information from “Top Patent Law Stories of 2015” (Live MBHB Webinar)
An idea standing alone such as an uninstantiated concept, plan or scheme, as well as a mental process (thinking) that “can be performed in the human mind, or by a human using a pen and paper”

“An Idea ‘Of Itself’”

- Comparing information regarding a sample or test subject to a control or target data
- Collecting and comparing known information
- Comparing data to determine a risk level
- Diagnosing an abnormal condition by performing clinical tests and thinking about the results
- Obtaining and comparing intangible data
- Comparing new and stored information and using rules to identify options
- Using categories to organize, store and transmit information
- Data recognition and storage
- Organizing information through mathematical correlations
- Displaying an advertisement in exchange for access to copyrighted media
Abstract Idea II

Concepts relating to the economy and commerce, such as agreements between people in the form of contracts, legal obligations, and business relations

“Fundamental Economic Practices”

- Creating a contractual relationship
- Hedging
- Mitigating settlement risk
### Abstract Idea III

#### “Certain Methods of Organizing Human Activity”

- Creating a contractual relationship
- Hedging
- Mitigating settlement risk
- Processing loan information
- Managing an insurance policy
- Managing a game of bingo
- Allowing players to purchase additional objects during a game
- Generating rule-based tasks for processing an insurance claim
- Tax-free investing
- Arbitration
- Using advertising as an exchange or currency
- Structuring a sales force or marketing company
- Using an algorithm for determining the optimal number of visits by a business representative to a client
- Computing a price for the sale of a fixed income asset and generating a financial analysis output
- A mental process that a neurologist should follow when testing a patient for nervous system malfunctions
- Meal planning

#### Concepts relating to interpersonal and intrapersonal activities, such as managing relationships or transactions between people, social activities, and human behavior; satisfying or avoiding a legal obligation; advertising, marketing, and sales activities or behaviors; and managing human mental activity
## Abstract Idea IV

### “Mathematical Relationships/Formulas”

- An algorithm for converting binary coded decimal to pure binary
- A formula for computing an alarm limit
- A formula describing certain electromagnetic standing wave phenomena
- The Arrhenius equation
- A mathematical formula for hedging
- Managing a stable value protected life insurance policy by performing calculations and manipulating the results
- Reducing the amount of calculations in known and established computations
- An algorithm for determining the optimal number of visits by a business representative to a client
- An algorithm for calculating parameters indicating an abnormal condition
- Computing a price for the sale of a fixed income asset and generating a financial analysis output
- Calculating the difference between local and average data values
PTO Guidelines 2015

The most controversial aspect of the guidelines will likely turn out to be the PTO’s decision that evidence is not needed as a prerequisite to an eligibility rejection. “For subject matter eligibility, the examiner’s burden is met by clearly articulating the reason(s) why the claimed invention is not eligible.”
1. A method of distributing stock quotes over a network to a remote subscriber computer, the method comprising:

- receiving stock quotes at a transmission server sent from a data source over the Internet, the transmission server comprising a microprocessor and memory that stores the remote subscriber’s preferences for information format, destination address, specified stock price values, and transmission schedule, wherein the microprocessor filters the received stock quotes by comparing the received stock quotes to the specified stock price values;
- generates a stock quote alert from the filtered stock quotes that contains a stock name, stock price and a universal resource locator (URL), which specifies the location of the data source;
- formats the stock quote alert into data blocks according to said information format; and
- transmits the formatted stock quote alert to a computer of the remote subscriber based upon the destination address and transmission schedule.
2. A method of distributing stock quotes over a network to a remote subscriber computer, the method comprising:

- providing a stock viewer application to a subscriber for installation on the remote subscriber computer; receiving stock quotes at a transmission server sent from a data source over the Internet, the transmission server comprising a microprocessor and a memory that stores the remote subscriber’s preferences for information format, destination address, specified stock price values, and transmission schedule, wherein the microprocessor filters the received stock quotes by comparing the received stock quotes to the specified stock price values;

- generates a stock quote alert from the filtered stock quotes that contains a stock name, stock price and a universal resource locator (URL), which specifies the location of the data source;

- formats the stock quote alert into data blocks according to said information format;

- and transmits the formatted stock quote alert over a wireless communication channel to a wireless device associated with a subscriber based upon the destination address and transmission schedule, wherein the alert activates the stock viewer application to cause the stock quote alert to display on the remote subscriber computer and to enable connection via the URL to the data source over the Internet when the wireless device is locally connected to the remote subscriber computer and the remote subscriber computer comes online.
From IP360, 30 March

• Smartflash Patent Claim In $533M Apple Case Axed By PTAB

• The Patent Trial and Appeal Board decided Tuesday that a media storage patent claim owned by Smartflash LLC, which a jury found that Apple Inc. infringed, is invalid for claiming only an abstract idea, the latest twist in a case where the jury’s $533 million damages award was vacated.
And It Continues...

• 'Who are you?' said the Caterpillar.

• This was not an encouraging opening for a conversation. Alice replied, rather shyly, 'I — I hardly know, sir, just at present — at least I know who I WAS when I got up this morning, but I think I must have been changed several times since then.'