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Emerging Trends/US Supreme Court: Is Software Patentability in Peril?

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On Monday, March 31, the Supreme Court heard oral arguments in Alice Corp. Ltd. v. CLS Bank. Int'l—a case that probes whether and to what extent software patents may be excluded from patentability as abstract ideas. Kaye Scholer Intellectual Property lawyer David Soofian discusses the important issues involved in this case, which a number of companies and indeed the entire technology sector are following very closely.

Can you provide some background on the case and the question(s) before the US Supreme Court?

In 1972, the Supreme Court summarized its precedent and enunciated what it considered as exceptions to the broad categories of patent eligibility: "Phenomena of nature . . . mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work."

Since then, many courts have been asked to find that certain types of inventions should be encompassed in the Supreme Court's categorical exclusions. In this case, the invention in question is a patent held by Alice Corp. that computerizes the process of guaranteeing funds in a financial transaction through an escrow account. If this process is determined to be one of the aforementioned "abstract intellectual concepts," then Alice's claim to such a patent would be invalid. Such a determination could have an impact not just on the software in question, but on other technology-related patents.

Interestingly, many software companies have submitted amicus curiae ("friend of the court") briefs to the court that largely support the notion that Alice's claims are invalid.

Could software patents actually be in peril?

In my view, the Supreme Court is unlikely to categorically exclude software patents from patent eligibility. If there was one clear message from the Supreme Court's prior *Bilski* decision, it's that the Supreme Court is reluctant to categorically exclude an entire field from patent eligibility. In *Bilski*, the Supreme Court rejected the argument that any patent that was in the field of business methods should automatically be so excluded. The Supreme Court, however, does seem eager to make a statement regarding the abstract ideas exception and software patents. In May 2012, the Supreme Court vacated and remanded the Federal Circuit's decision in *Ultramercial* without hearing oral argument or issuing a formal opinion. There, the Federal Circuit had held that a software patent relating to showing a commercial before letting a user watch a video on the Internet was patentable and not an abstract idea.

So, if the court is unlikely to do away entirely with software patents, what, in your view, may it decide to do instead?

With *Ultramercial* now a few years old, the Supreme Court recognizes that the Alice Corp. case is an opportunity to provide some clarity in the field. But it remains to be seen whether the Supreme Court will be able to seize this opportunity.

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For me, the real question is whether the Supreme Court will wrestle the responsibility for creating a usable test away from the Federal Circuit, or will the Supreme Court do what it did in *Bilski*—criticize the current approaches taken by the Federal Circuit, but leave it to the Federal Circuit to create new tests.

What would be the potential impact of the Supreme Court's leaving that responsibility to the Federal Circuit?

Well, that could mean that the software industry will remain in a continued state of uncertainty regarding what, if any, types of software inventions are patentable as, right now, the judges on the Federal Circuit have advanced conflicting views on how the abstract ideas exception applies to software inventions.

In application, whether or not a specific software patent is valid and not an unpatentable abstract idea has become largely a matter of what panel (group of judges) the parties are assigned at the Federal Circuit."

What were your impressions of the oral arguments?

As expected, a majority of the Justices appeared to be looking to strike a balance with software patents, trying to find a distinction between software inventions that were eligible and ineligible. The Justices' questions during CLS 's argument suggested that while they are troubled by the prospect of permitting patents on basic business methods or ideas simply because computers are involved in them, they also recognize that some computer-implemented methods and ideas should be eligible for patent-protection. Justice Kagan seemed to pinpoint the court's mindset when she referred to the difference between patents that "really did just say 'do this on a computer,' as opposed to saying anything substantive about *how* to do it on a computer."

Did anything jump out at you? Did you find anything surprising, or possibly predictive, in any of the justices' questioning of the parties?

Justices Sotomayor and Ginsburg very briefly asked Alice Corp. whether it had software and if it was copyrighted. I found that brief line of questioning very interesting because many have argued that specific software should be protected by copyright law, instead of offering patent rights over the broader algorithms.

A lawyer in Kaye Scholer's Intellectual Property Department, David Soofian focuses his practice on patent litigation and client counseling matters. David has worked with technologies in a variety of fields, including mobile apps, digital image processing, telecommunications (e-mail, VoIP), telecommunications cables, business methods, light circuits, aerospace systems and pharmaceuticals (ANDA litigations). His litigation experience ranges from pre-suit investigation through trial and appeal. He can be reached at david.soofian@kayescholer.com.

Emerging Trends is a regular feature from Kaye Scholer LLP highlighting emerging business and legal issues. Note: The author represented CLS in district court and during the initial appeal of this matter.

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