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VOICE VALUE

In Patent Cases, Transformation Is the Key

Software validation stems from invalidation in Supreme Court case

In Alice Corp. versus CLS Bank (Alice), the United States Supreme Court unanimously invalidated four software patents for a program that escrowed funds using a computer, issuing a judge-made rule based on Section 101 of the Patent Act.

According to Section 101, to be eligible for patent protection, an invention must be new and useful. Judicial interpretation adds that the invention must not be abstract.

Interestingly, although software patents were at issue in Alice, the Court did not use the word *software* a single time in its 17-page decision.

Is Software Patentable Post-Alice?

While the Court invalidated Alice's software patents, it did not exclude software as a class worthy of patent protection. In following an older decision, the Court simply reiterated that the invention must be patent-worthy in itself, regardless of the language (software or otherwise) in which it is conveyed.

Uncertainty about software's patent eligibility would put innovation at risk.

This decision is crucial to our industry. Aside from software being one of the most important economic drivers in the United States, virtually every industry relies on it. The U.S. software market contributed more than $276 billion to the nation's economy in 2009, according to an amicus brief filed by IBM in Alice. IBM alone invests $3 billion annually in software research and development. Uncertainty as to whether software as a category is patent-eligible would put software innovation at risk.

Does Alice Fix Things?

Ultimately, the patents in Alice were invalidated because they claimed an abstract idea in violation of Section 101 of the Patent Act. Regardless, Alice represents a big change in the law. Previously, the federal circuit treated programmed generic computers as new machines, making them patentable. The Court had previously undermined this interpretation, doing so again in Alice. "Just because an invention uses a general purpose computer doesn't make it patent-eligible," says patent attorney Pejman Yedidsion.

The Court noted that escrow has existed as far back as the 19th century. Thus using a third-party intermediary to address settlement risk is an abstract idea and there is no inventive concept in having that process performed on a generic computer.

The Court articulated a rule to determine whether an invention was invalid due to abstractness under Section 101:

(1) Determine if the claim at issue is directed toward an *abstract* idea; *and*

(2) Examine the elements of the claim to determine whether it contains an "inventive concept" sufficient to *transform* the abstract idea into a patent-eligible application (emphasis added).

But what is too abstract? And what is sufficient to be transformative? In spite of everything the Court has said about what makes a bad patent, it gave little guidance as to what constitutes a good one. We do know a few things, though.

Abstract Versus Transformative

"All types of things are not patentable. If you read an article and write down what you think of it from your mind, that's not patentable," explains Daniel Nazer, Electronic Frontier Foundation staff attorney.

The core meaning of an abstract idea is "whether the idea being patented already existed out in nature...or if it is something new, or facilitated with something new...that a human being has created," adds Yedidsion.

Mathematical formulas are abstract; they solve equations. But software does not have to be a mathematical formula. It can control an airplane, use a sensor, process speech. There may be more than one patent for seemingly identical inventions because there may be more than one patentable method to accomplish the result.

"Think of *transformative* as facilitating change," says patent attorney Omid Khalifeh. If you take a human's speech and make it into words, that's probably abstract. If you transform what that person is saying into something else, such as a robot moving its arm, for instance, that might be transformative.

Takeaways

To be patentable, software cannot be just a manipulation of something a human can do. It has to advance the technology. It has to make the computer do something it is not otherwise possible to do. And whether an invention is patentable is not a balancing test of abstract versus transformative. Both prongs are necessary, so patent attorneys should focus on both when drafting patent applications. ☒

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