

The U.S. Supreme Court Decides Six Patent Cases in 2014, Culminating in *Alice Corp. v. CLS Bank International*

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I. Introduction

Congress has the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹

In a banner year for patent cases at the United States Supreme Court, the Court unanimously decided six patent cases in 2014. On January 22, 2014, the nation’s highest court decided *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, holding that when a licensee seeks a declaratory judgment against a patentee that the licensee’s products do not infringe on the patent’s claims, the patentee bears the burden of persuasion on the infringement issue.² On April 29, 2014, the Court issued decisions in *Octane Fitness, LLC v. ICON Health and Fitness, Inc.*³ and *Highmark Inc. v. Allcare Health Management System, Inc.*⁴ Both cases involved the award of at-

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¹ U.S. CONST. art. I, § 8, cl. 8.

² 134 S. Ct. 843, 846 (2014).

³ 134 S. Ct. 1749 (2014).

⁴ 134 S. Ct. 1744 (2014).

torney's fees to prevailing parties in exceptional cases.⁵ In *Octane Fitness*, the Supreme Court reversed the Federal Circuit,⁶ which had applied the standard it coined in *Brooks Furniture Manufacturing Inc. v. Dutailier International, Inc.*⁷ The Supreme Court held that this standard was unduly rigid.⁸ In *Highmark*, the Court, citing *Octane Fitness*, held that the proper standard of review for the award for attorney's fees is abuse of discretion.⁹

On June 2, 2014, the Supreme Court decided *Limelight Networks, Inc. v. Akamai Technologies, Inc.*¹⁰ and *Nautilus, Inc. v. Biosig Instruments, Inc.*¹¹ In *Akamai*, the Supreme Court held that a defendant is not liable for inducing infringement when there has been no direct infringement.¹² In *Nautilus*, the Court held that a patent is invalid for indefiniteness if its claims, read in light of its specifications and prosecution history, fail to inform one skilled in the specific art with reasonable certainty.¹³

On June 19, 2014, in the sixth patent case of the term, the Supreme Court decided *Alice Corp. v. CLS Bank International*, holding that the patent claims in question were drawn to a patent-ineligible abstract idea and thus were not patentable subject matter.¹⁴ In *Alice*, the Court affirmed the Federal Circuit.¹⁵ This was the only patent case during the term that affirmed the Federal Circuit's decision.

This article briefly reviews the five Supreme Court patent decisions leading up to *Alice* and examines *Alice*. The inquiry concludes by considering the implications of this series of important cases.

II. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*

The legal issue in *Medtronic, Inc. v. Mirowski Family Ventures, LLC* was which party, the plaintiff (potential infringer) or the defendant (patentee), bears the burden of persuasion in a declaratory action of non-infringement.¹⁶ The patent claims in question were claims in reissue patents for implantable cardiac stimulation

⁵ 35 U.S.C. § 285 (2012) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”); *Octane Fitness*, 134 S. Ct. at 1751; *Highmark*, 134 S. Ct. at 1745.

⁶ *Octane Fitness*, 134 S. Ct. at 1758.

⁷ *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 496 F. App'x 57, 64 (Fed. Cir. 2012), cert. granted, 134 S. Ct. 49 (2013), and rev'd, 134 S. Ct. 1749 (2014).

⁸ *Octane Fitness*, 134 S. Ct. at 1756.

⁹ *Highmark*, 134 S. Ct. at 1748.

¹⁰ 134 S. Ct. 2111 (2014).

¹¹ 134 S. Ct. 2120 (2014).

¹² *Akamai*, 134 S. Ct. at 2114.

¹³ *Nautilus*, 134 S. Ct. at 2123.

¹⁴ 134 S. Ct. 2349–50 (2014).

¹⁵ *Id.* at 2360.

¹⁶ 134 S. Ct. 843, 846 (2014).

devices that provide cardiac resynchronization therapy (CRT).¹⁷ These devices are commonly known as cardiac pacemakers.

Dr. Mower, along with Dr. Mirowski, invented the first implantable cardioverter defibrillator (ICD), which provides a shock to the heart when necessary to stop arrhythmia.¹⁸ Dr. Mower's research and innovation led to a patent for a cardiac pacemaker,¹⁹ and the two reissue patents²⁰ were the subject of this litigation.²¹ Mirowski Family Ventures held the patent rights of Dr. Mower as assignee of the reissue patents.²² Mirowski Family Ventures licensed the technology to Eli Lilly and Company, which created Guidant in 1994.²³ Boston Scientific acquired Guidant in 2006.²⁴ Mirowski Family Ventures, Guidant, and Boston Scientific were the defendants at the district court level.²⁵

Medtronic sublicensed one of its reissue patents in 1991,²⁶ and the sublicense agreement gave Medtronic the right to challenge allegations of infringement of its reissue patent, as well as validity and enforceability of its reissue patent through declaratory judgment actions.²⁷ Based on this agreement, in 2003, Medtronic challenged the reissue patent while paying royalties into escrow.²⁸ This agreement was modified in 2006 with a Litigation Tolling Agreement (LTA), which tolled and suspended litigation for ninety days after Medtronic received a notice of infringement from Guidant or Mirowski Family Ventures.²⁹ The LTA also permitted Medtronic to initiate a final declaratory judgment action challenging infringement, unenforceability, or validity of the reissue patent or any combination thereof.³⁰ The district court action was filed pursuant to that agreement.³¹

"There is a long history of litigation involving the parties," noted the district court.³² The defendants asserted that seven Medtronic CRT devices, with and with-

¹⁷ *Medtronic Inc. v. Bos. Sci. Corp.*, 695 F.3d 1266, 1269 (Fed. Cir. 2012), *cert. granted*, 133 S. Ct. 2393 (2013), *and rev'd sub nom. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014), *and cert. denied*, 134 S. Ct. 1022 (2014).

¹⁸ *Id.*

¹⁹ U.S. Patent No. 4,928,688 (filed Jan. 23, 1989).

²⁰ U.S. Patent No. 39,897 (filed Aug. 8, 2002); U.S. Patent No. 38,119 (filed Oct. 19, 1995).

²¹ *Medtronic, Inc. v. Bos. Sci. Corp.*, 777 F. Supp. 2d 750, 758 (D. Del. 2011), *vacated*, 695 F.3d 1266 (Fed. Cir. 2012), *rev'd sub nom. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014), *aff'd in part, vacated in part*, 558 F. App'x 998 (Fed. Cir. 2014).

²² *Id.*

²³ Eli Lilly and Co., Quarterly Report (Form 10-Q) (May 12, 1995), *available at* <https://investor.lilly.com/secfiling.cfm?filingID=59478-95-5>.

²⁴ Press Release, Boston Scientific, Boston Scientific and Guidant Announce Signing Merger Agreement Valued at \$27 Billion (Jan. 25, 2006), *available at* <http://news.bostonscientific.com/index.php?s=24913&item=22235>.

²⁵ *Medtronic*, 777 F. Supp. 2d at 758.

²⁶ *Id.* Only the '119 reissue patent was at issue. *Id.* at 759.

²⁷ *Id.* at 758.

²⁸ *Id.* at 758–59.

²⁹ *Id.* at 759.

³⁰ *Id.*

³¹ *Medtronic*, 777 F. Supp. 2d at 759.

³² *Id.* at 758.

out defibrillators, infringed the claims of the reissue patent.³³ In 2007, Medtronic filed a complaint for declaratory judgment of non-infringement and invalidity of both reissue patents.³⁴ To prove direct infringement, the plaintiff had to establish that one or more of the patent claims read on the accused device literally or under the doctrine of equivalents.³⁵ The parties, however, disagreed concerning which party had to prove infringement.³⁶ Medtronic argued that the patentee, here the defendants, had this burden, while the defendants argued that the plaintiff always carries this burden.³⁷ The district court found that the burden is on the patentee,³⁸ and further held that not only did Medtronic not prove that the patent claims were invalid, but also that the defendants did not prove that Medtronic infringed any of the reissue patent claims.³⁹

The Federal Circuit vacated and remanded, holding that the district court placed the burden of proof of non-infringement on the wrong party.⁴⁰ Citing *MedImmune Inc. v. Genentech, Inc.*,⁴¹ a 2007 Supreme Court case that held that a patentee can make royalty payments and does not have to breach the license in order to bring a declaratory judgment action,⁴² the Federal Circuit ruled that the party seeking relief, here Medtronic, generally bears the burden of proving the complainant's claims.⁴³

The Supreme Court unanimously reversed the Federal Circuit and remanded on January 22, 2014.⁴⁴ In an opinion authored by Justice Breyer, the Court held that the patentee normally has the burden of proving infringement, and that burden does not shift when a licensee such as Medtronic seeks a declaratory judgment of non-infringement.⁴⁵ The Court noted that “[s]imple legal logic, resting upon settled case law, strongly supports” the Court’s conclusion.⁴⁶

The Court noted three legal principles that supported its conclusion that the burden remains on the patentee.⁴⁷ The first principle is that the burden of infringement is generally on the patentee.⁴⁸ The second principle is that the declaratory

³³ *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 847 (2014); *Medtronic*, 777 F. Supp. 2d at 762.

³⁴ *Medtronic*, 777 F. Supp. 2d at 757.

³⁵ *Id.* at 764.

³⁶ *Id.* at 765.

³⁷ *Id.*

³⁸ *Id.* at 765–66.

³⁹ *Id.* at 782.

⁴⁰ *Medtronic Inc. v. Bos. Sci. Corp.*, 695 F.3d 1266, 1269 (Fed. Cir. 2012), *cert. granted*, 133 S. Ct. 2393 (2013), *and rev'd sub nom. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014), *and cert. denied*, 134 S. Ct. 1022 (2014).

⁴¹ 549 U.S. 118 (2007).

⁴² *Id.* at 137; *Medtronic*, 695 F.3d at 1271.

⁴³ *Medtronic*, 695 F.3d at 1271–72.

⁴⁴ *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 852 (2014).

⁴⁵ *Id.* at 846.

⁴⁶ *Id.* at 849.

⁴⁷ *Id.*

⁴⁸ *Id.*

judgment is only procedural in nature.⁴⁹ The third principle is that the burden of proof is a substantive aspect of a claim.⁵⁰ Thus, according to the Court, the burden does not shift.⁵¹

Justice Breyer observed additional practical considerations to support this conclusion. He noted that shifting the burden could create post-litigation uncertainty about the scope or status of the patent if, for example, the evidence is inconclusive and the alleged infringer loses the declaratory judgment action.⁵² Further, he noted that if the burden shifted, the licensee might have difficulty knowing what theory the alleged infringement rests upon.⁵³ Similar to the holding in *MedImmune*, which was intended to reduce the risk of a patent licensee seeking a declaratory judgment, this holding also relieves licensees such as Medtronic from the difficult choice of stopping royalties or facing a difficult court proceeding.⁵⁴

On remand from the Supreme Court, the Federal Circuit affirmed the district court's finding of non-infringement by Medtronic.⁵⁵ After noting that the Supreme Court's decision did not disturb its decision on the matter of the patentee's cross appeal, the Federal Circuit vacated in part and remanded for additional proceedings.⁵⁶

III. *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*

"The court in exceptional cases may award reasonable attorney fees to the prevailing party."⁵⁷

According to Justice Sotomayor's opinion in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, the Patent Act did not allow for the award of attorney's fees until 1946.⁵⁸ Instead, the American rule applied where each party paid their own attorney's fees.⁵⁹ Congress then amended the Patent Act to allow the award of attorney's fees to the prevailing party.⁶⁰ According to appellate court precedent, the fees were awarded "only in extraordinary circumstances."⁶¹ In 1982, Congress created the Court of Appeals for the Federal Circuit, which has exclusive appellate jurisdiction in patent cases.⁶² According to Justice Sotomayor, the Federal Circuit

⁴⁹ *Id.*

⁵⁰ *Medtronic*, 134 S. Ct. at 849.

⁵¹ *Id.*

⁵² *Id.* at 849–50.

⁵³ *Id.* at 850.

⁵⁴ *Id.*

⁵⁵ *Medtronic Inc. v. Bos. Sci. Corp.*, 558 F. App'x 998, 999 (Fed. Cir. 2014), *cert. denied sub nom. Mirowski Family Ventures, LLC v. Medtronic, Inc.*, 135 S. Ct. 364 (2014).

⁵⁶ *Id.* at 1000.

⁵⁷ 35 U.S.C. § 285 (2012).

⁵⁸ 134 S. Ct. 1749, 1753 (2014).

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* (citing *Park-In-Theatres, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)).

⁶² *Id.* at 1754.

considered the totality of circumstances when awarding attorney's fees.⁶³ In 2005, in *Brooks Furniture*, the Federal Circuit adopted a "more rigid and mechanical formulation."⁶⁴ Under the *Brooks Furniture* test, attorney's fees are awarded in exceptional cases where there is some material misconduct related to the litigation or inequitable conduct in obtaining the patent.⁶⁵ Absent misconduct, the award of attorney's fees is justified only if the litigation is brought in subjective bad faith and is objectively baseless.⁶⁶

Although the legal issue before the Supreme Court in *Octane Fitness* was the award of attorney's fees,⁶⁷ the case began as a patent infringement case.⁶⁸ An action for infringement was brought by ICON, which holds approximately 223 patents in the fitness equipment market,⁶⁹ against Octane, which is dedicated solely to making elliptical machines.⁷⁰ Octane denied the infringement and moved for summary judgment of non-infringement, which was granted by the district court.⁷¹ Octane then moved for an award of attorney's fees.⁷² Applying the *Brooks Furniture* test, the district court denied the award.⁷³

ICON appealed the summary judgment of non-infringement, and Octane cross-appealed the denial of attorney's fees, arguing that the district court applied an overly restrictive standard.⁷⁴ The Federal Circuit affirmed the lower court's decision, stating that it had "no reason to revisit the settled standard for exceptionality."⁷⁵

The Supreme Court granted certiorari⁷⁶ and on April 29, 2014, in a unanimous opinion authored by Justice Sotomayor, gave the Federal Circuit a reason to revisit the standard for exceptionality.⁷⁷ The Court's analysis "begins and ends with the

⁶³ *Id.*

⁶⁴ *Octane Fitness*, 134 S. Ct. at 1754.

⁶⁵ *Id.* (citing *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005), *abrogated by Octane Fitness*, 134 S. Ct. 1749).

⁶⁶ *Id.*

⁶⁷ *Id.* at 1752.

⁶⁸ ICON alleged that Octane Fitness infringed claims 1–5, 7, and 9–11 of U.S. Patent No. 6,019,710 titled Exercising Device with Elliptical Movement. *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, No. CIV. 09-319 ADM/SER, 2011 WL 2457914, at *1 (D. Minn. June 17, 2011), *aff'd*, 496 F. App'x 57 (Fed. Cir. 2012), *rev'd*, 134 S. Ct. 1749 (2014).

⁶⁹ *About Icon*, ICON HEALTH & FITNESS, <https://www.iconfitness.com/about/history.html> (last visited Nov. 3, 2014). Icon bills itself as one of the world's largest developers, manufacturers, and marketers of fitness equipment. *Id.*

⁷⁰ *Our History*, OCTANE FITNESS, <https://www.octanefitness.com/home/about/#our-history> (last visited November 3, 2014).

⁷¹ *Icon Health & Fitness*, 2011 WL 2457914, at *1.

⁷² *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, No. CIV. 09-319 ADM/SER, 2011 WL 3900975, at *1 (D. Minn. Sept. 6, 2011) *aff'd*, 496 F. App'x 57 (Fed. Cir. 2012), *rev'd*, 134 S. Ct. 1749 (2014), *vacated*, 576 F. App'x 1002 (Fed. Cir. 2014).

⁷³ *Id.* at *1, *4.

⁷⁴ *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 496 F. App'x 57, 58, 65 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 49 (2013), *and rev'd*, 134 S. Ct. 1749 (2014).

⁷⁵ *Id.* at 65.

⁷⁶ *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 49 (2013).

⁷⁷ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1752 (2014).

text” of the statute with respect to awarding attorney’s fees in exceptional cases.⁷⁸ Since the Patent Act itself does not define “exceptional,” the Court used the ordinary meaning of “rare” or “uncommon.”⁷⁹ According to the Court, the Federal Circuit’s *Brooks Furniture* test was “overly rigid.”⁸⁰ Further, the Court determined that it was so rigid that it seemed to render the provision allowing the grant of attorney’s fees “largely superfluous.”⁸¹ An exceptional case, according to the Court, is one “that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated,” and should be decided on a case-by-case basis in the district court’s discretion, considering all the circumstances.⁸² Additionally, the Court found that the Federal Circuit’s requirement that attorney’s fees be proven by clear and convincing evidence was too high of an evidentiary burden.⁸³ Thus, the Court reversed the Federal Circuit and remanded the case.⁸⁴

IV. *Highmark Inc. v. Allcare Health Management System, Inc.*

On April 29, 2014, the Supreme Court also unanimously decided *Highmark Inc. v. Allcare Health Management System, Inc.*, which concerned the standard a court should use in reviewing the award of attorney’s fees under the Patent Act.⁸⁵ The Court vacated and remanded the case, holding that the appropriate standard of review for the award of attorney’s fees is the abuse of discretion standard.⁸⁶

Allcare licensed a patent on a fully integrated and comprehensive health care system.⁸⁷ After conducting a “survey” of health care management and insurance companies, Allcare wrote to one of them, Highmark,⁸⁸ and claimed that Highmark was an infringer.⁸⁹ Allcare requested that Highmark license the technology and suggested there might be future litigation if Highmark refused to comply.⁹⁰ Allcare sued twenty-four health care entities, including Highmark, in four separate suits for infringement.⁹¹ In one suit, the district court concluded that the patent was enforce-

⁷⁸ *Id.* at 1755.

⁷⁹ *Id.* at 1756 (citing WEBSTER’S NEW INTERNATIONAL DICTIONARY 889 (2d ed. 1934)).

⁸⁰ *Id.*

⁸¹ *Id.* at 1758.

⁸² *Id.* at 1756.

⁸³ *Octane Fitness*, 134 S. Ct. at 1758.

⁸⁴ *Id.*

⁸⁵ 134 S. Ct. 1744, 1746–47 (2014).

⁸⁶ *Id.* at 1749.

⁸⁷ *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 706 F. Supp. 2d 713, 716 (N.D. Tex.), *as amended* (Apr. 1, 2010), *order vacated on reconsideration*, 732 F. Supp. 2d 653 (N.D. Tex. 2010), *aff’d in part, rev’d in part*, 687 F.3d 1300 (Fed. Cir. 2012). The patent at issue in this case is U.S. Patent No. 5,301,105. *Id.*

⁸⁸ Highmark is a national diversified health care partner in health and dental insurance, vision coverage, and reinsurance. *About Us*, HIGHMARK, <https://www.highmark.com/hmk2/about/corpprofile/index.shtml> (last visited November 3, 2014).

⁸⁹ *Highmark*, 706 F. Supp. 2d at 716.

⁹⁰ *Id.*

⁹¹ *Id.*

able.⁹² As a result, Allcare sent another letter to Highmark about the favorable decision, again requesting that Highmark license its technology to prevent the need for litigation.⁹³ Highmark communicated with Allcare for a year to try to prevent litigation,⁹⁴ but Highmark eventually filed suit for a declaratory judgment of invalidity, unenforceability of the patent, and non-infringement.⁹⁵ Allcare counterclaimed, alleging that Highmark infringed certain patent claims.⁹⁶

The district court adopted a special master's report and ruled that while the patent was not unenforceable, Highmark also did not infringe the two remaining claims in question.⁹⁷ Highmark then requested attorney's fees.⁹⁸ The district court granted the fees, stating that by clear and convincing evidence, Allcare engaged in vexatious and sometimes deceitful conduct by (1) using the survey to identify potential infringers and then forcing those potential infringers to purchase a license under threat of litigation, and (2) maintaining infringement claims after Allcare's own experts said such claims were without merit.⁹⁹

On appeal, the Federal Circuit reviewed the district court's decision de novo and without deference, holding that Allcare's claim of infringement warranted the award of attorney's fees as an exceptional case.¹⁰⁰ The Federal Circuit affirmed in part but reversed on another claim.¹⁰¹

The Supreme Court granted certiorari on the issue of the deference an appellate court must give to a district court's determination of attorney's fees.¹⁰² Writing for a unanimous Court, Justice Sotomayor held that the abuse of discretion standard is to be used to review all aspects of a district court's determination of the award of attorney's fees under the Patent Act.¹⁰³ In making its decision, the Court cited *Octane Fitness*, and noted that in that case, the Court defined "exceptional" by its or-

⁹² *Id.* at 716–17 (citing, *Allcare Health Mgmt. Sys., Inc. v. Trigon Healthcare, Inc.*, 1:02-CV-756-A (E.D. Va. Feb. 3, 2003)).

⁹³ *Id.* at 726.

⁹⁴ *Id.* The district court observed that Allcare had not done its homework when it began "trolling" for licensing fees. *Id.* at 727. According to the district court, a "patent troll" is a pejorative term for entities that don't manufacture products based upon the patent, but just enforce the patent in an attempt to collect licensing fees. *Id.* at 739 n.5 (citing *InternetAd Sys., LLC v. Opodo Ltd.*, 481 F. Supp. 2d 596, 601 (N.D. Tex. 2007)). The court found that based on this definition, Allcare was a patent troll that at times engaged in deceitful conduct. *Id.*

⁹⁵ *Highmark*, 706 F. Supp. 2d at 717.

⁹⁶ *Id.*

⁹⁷ *Id.* The Court of Appeals for the Federal Circuit affirmed. *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 329 Fed. App'x 280 (Fed. Cir. 2009) (per curiam).

⁹⁸ *Highmark*, 706 F. Supp. 2d at 717.

⁹⁹ *Id.* at 736–37. The district court also held that sanctions were appropriate. *Id.* at 738. The sanctions were disallowed on reconsideration in *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 732 F. Supp. 2d 653, 676 (N.D. Tex. 2010).

¹⁰⁰ *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1308–09, 1319 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013), *and vacated sub nom.* *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014).

¹⁰¹ *Id.*

¹⁰² *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 134 S. Ct. 1744, 1747 (2014).

¹⁰³ *Id.* at 1749.

dinary meaning and instructed courts to determine exceptionality on a case-by-case basis considering all the circumstances.¹⁰⁴ The Court remanded the case to the Federal Circuit.¹⁰⁵

V. *Limelight Networks, Inc. v. Akamai Technologies, Inc.*

“Whoever actively induces infringement of a patent shall be liable as an infringer.”¹⁰⁶

The Supreme Court unanimously decided two patent cases on June 2, 2014. In *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, the Court held that one cannot be held liable for inducing infringement of a patent when there has been no direct infringement.¹⁰⁷

Akamai and Limelight are both Internet content delivery networks (CDNs).¹⁰⁸ Akamai¹⁰⁹ was the exclusive licensee of a patent for a global Internet content hosting system.¹¹⁰ In 2004, discussions began concerning Akamai’s possible acquisition of Limelight, but Akamai chose not to go forward with the deal.¹¹¹ In 2006, Akamai and Limelight again discussed a merger, but when Limelight informed Akamai that it had another funding source and was no longer interested in being acquired, Akamai filed suit for patent infringement against Limelight the next day.¹¹² Akamai “tagged” or designated certain components of a content provider’s website to be stored on Akamai’s servers, while Limelight did not tag the content but rather provided instructions to its customers on how to tag, allowing the customers to tag for themselves.¹¹³ This tagging is a step in the claimed method patent.¹¹⁴

¹⁰⁴ *Id.* at 1748 (citing *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014)).

¹⁰⁵ *Id.* at 1749.

¹⁰⁶ 35 U.S.C. § 271(b) (2013).

¹⁰⁷ 134 S. Ct. 2111, 2115 (2014). Direct infringement occurs when one makes, uses, or sells a patented invention in the United States during the patent term without authority. 35 U.S.C. § 271(a).

¹⁰⁸ *Limelight*, 134 S. Ct. at 2115; *Our Story Told Here*, LIMELIGHT NETWORKS, <http://www.limelight.com/company/our-story-told-here/> (last visited November 3, 2014); *About*, AKAMAI, <http://www.akamai.com/html/about/index.html> (last visited November 3, 2014).

¹⁰⁹ Akamai bills itself as the leading provider of secure cloud services for enterprises that provide services for end users. *About*, AKAMAI, <http://www.akamai.com/html/about/index.html> (last visited November 3, 2014).

¹¹⁰ U.S. Patent No. 6,108,703 (filed May 19, 1999). The Massachusetts Institute of Technology is the assignee of this patent. *Id.* at [73].

¹¹¹ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 614 F. Supp. 2d 90, 100 (D. Mass. 2009), *aff’d*, 629 F.3d 1311 (Fed. Cir. 2010), *and reh’g en banc granted, opinion vacated sub nom.* *Akamai Techs., Inc. v. MIT*, 419 F. App’x 989 (Fed. Cir. 2011), *and rev’d*, 692 F.3d 1301 (Fed. Cir. 2012), *rev’d*, 134 S. Ct. 2111 (2014).

¹¹² *Id.*

¹¹³ *Limelight Networks, Inc. v. Akamai Techs. Inc.*, 134 S. Ct. 2111, 2115 (2014).

¹¹⁴ *Id.*

In 2008, a jury found that Limelight infringed claims of Akamai's patent, that none of the infringed claims were invalid, and awarded Akamai damages of \$41.5 million, plus prejudgment interest and price erosion damages.¹¹⁵

This victory, however, was short-lived.¹¹⁶ In 2008, the Federal Circuit in *Muniauction, Inc. v. Thomson Corp.* noted that for direct infringement, a single party must perform every step of the claimed method.¹¹⁷ In light of *Muniauction*, the district court granted Limelight's motion for reconsideration¹¹⁸ and held that since Limelight did not perform all of the steps, there was no direct infringement.¹¹⁹ A Federal Circuit panel affirmed.¹²⁰ On en banc review, however, the Federal Circuit reversed,¹²¹ stating that even if no one could be liable as a direct infringer, there could nonetheless be a judgment on induced infringement.¹²²

In the per curiam majority decision of the Federal Circuit, Chief Judge Rader and Judges Newman, Lourie, Bryson, Linn, Dyk, Moore, O'Malley, Reyna, and Wallach found that the trial court properly held that Limelight did not directly infringe because it did not control the actions of its customers.¹²³ Limelight would have been liable for inducing infringement if Limelight knew of Akamai's patent, performed all but one of the steps of the method claimed, and induced its content providers to perform that final step and the content providers actually performed the final step.¹²⁴ Judge Newman dissented, stating that the "*en banc* court has split into two factions, neither of which resolves the issues of divided infringement."¹²⁵ She further stated that "a scant majority of the court adopts a new theory of patent infringement, based upon criminal law,"¹²⁶ while a significant minority, discussed below, favored a single entity rule.¹²⁷ Judge Newman explained that the new majority rule "imposes disruption, uncertainty, and disincentive."¹²⁸

¹¹⁵ *Akamai*, 614 F. Supp. 2d at 100. According to the district court, the parties "filed a flurry of post-trial motions," and all were denied. *Id.*

¹¹⁶ *Limelight*, 134 S. Ct. at 2116.

¹¹⁷ *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008).

¹¹⁸ *Akamai*, 614 F. Supp. 2d at 123.

¹¹⁹ *Id.* at 122.

¹²⁰ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1331 (Fed. Cir. 2010), *reh'g en banc granted, opinion vacated sub nom. Akamai Techs., Inc. v. MIT*, 419 F. App'x 989 (Fed. Cir. 2011).

¹²¹ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1319 (Fed. Cir. 2012) (per curiam), *cert. dismissed sub nom. Epic Sys. Corp. v. McKesson Techs., Inc.*, 133 S. Ct. 1520 (2013), *and cert. dismissed*, 133 S. Ct. 1521 (2013), *and cert. granted*, 134 S. Ct. 895 (2014), *and rev'd*, 134 S. Ct. 2111 (2014), *and cert. denied*, 134 S. Ct. 2723 (2014).

¹²² *Id.* at 1309.

¹²³ *Id.* at 1318.

¹²⁴ *Id.*

¹²⁵ *Id.* at 1319.

¹²⁶ *Id.*

¹²⁷ *Akamai*, 629 F.3d at 1347.

¹²⁸ *Id.* at 1319. Judge Newman states that the new majority rule has "no foundation in statute, or in two centuries of precedent." *Id.* at 1320.

Judge Linn, joined by Judges Dyk, Prost, and O'Malley, dissented.¹²⁹ The dissenters stated that the majority took on the role of “policy maker,”¹³⁰ and essentially rewrote the direct and induced infringement sections of the Patent Act, holding that infringement can mean different things in different contexts, contrary to both the Patent Act and Supreme Court precedent.¹³¹ According to the dissenting judges, direct infringement is essential for indirect infringement.¹³² They argued that the majority's analogies to criminal and tort law were flawed.¹³³ It is therefore not surprising that the U.S. Supreme Court granted certiorari.¹³⁴

Justice Alito, writing for the unanimous Court, stated that the “Federal Circuit's analysis fundamentally misunderstands what it means to infringe a method patent.”¹³⁵ While induced infringement must be based on direct infringement,¹³⁶ the Federal Circuit held that under the Patent Act, a defendant may be liable for induced infringement even when no one has directly infringed the claims of a patent.¹³⁷

The Court found that the Federal Circuit's holding was untenable in four ways. First, the Court noted that while respondents argued that tort liability for a third party is analogous to patent infringement, they cited no case to support third party liability when the plaintiff's legal rights were not violated.¹³⁸ Similarly, Akamai's rights were not violated because there was no direct patent infringement.¹³⁹ Second, the Court found that while respondents also drew on criminal law, in particular aiding and abetting, the Patent Act states that patent holders have only the rights claimed under the patent.¹⁴⁰ Thus, criminal law was inapplicable here as well.¹⁴¹ Third, the Court observed that while respondents additionally argued that patent law, before Congress enacted the Patent Act, allowed for this inducement liability, the Patent Act itself doesn't allow for inducement without direct liability.¹⁴² Finally, the Court noted that respondents argued that one could avoid liability for induced infringement by dividing up the necessary steps that constitute infringement.¹⁴³ The Court did recognize this concern, but determined that it wasn't

¹²⁹ *Id.* at 1337.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.*

¹³³ *Akamai*, 629 F.3d at 1343–46.

¹³⁴ *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 895 (2014).

¹³⁵ *Limelight Networks, Inc. v. Akamai Techs. Inc.*, 134 S. Ct. 2111, 2117 (2014).

¹³⁶ *Id.* Neither the Federal Circuit nor Akamai denied this proposition. *Id.*

¹³⁷ *Id.* According to the Court, this holding would result in two rules of infringement law, one for direct infringement and one for indirect infringement. *Id.* at 2118. Further, Congress could have written the Patent Act this way, but did not. *Id.*

¹³⁸ *Id.* at 2118–19.

¹³⁹ *Id.*

¹⁴⁰ *Id.* at 2119.

¹⁴¹ *Limelight*, 134 S. Ct. at 2119.

¹⁴² *Id.*

¹⁴³ *Id.* at 2120.

sufficient to judicially create a non-statutory way to induce infringement.¹⁴⁴ Thus, the Court reversed and remanded the case to the Federal Circuit.¹⁴⁵

VI. *Nautilus, Inc. v. Biosig Instruments, Inc.*

“The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as his invention.”¹⁴⁶

According to Justice Ginsburg, writing for a unanimous Court in *Nautilus, Inc. v. Biosig Instruments, Inc.*, patent law has had a definiteness requirement going back to the first Patent Act.¹⁴⁷ She observed that early patent practice focused on the specification, and the requirement of one or more claims described with particularity and distinctness was added in the Patent Act of 1870.¹⁴⁸ This definiteness requirement persists to date¹⁴⁹ and was at issue in *Nautilus*.¹⁵⁰

Biosig Instruments¹⁵¹ was the assignee of a patent for a heart rate monitor that was to be used with an exercise apparatus, for an exercise procedure, or both.¹⁵² Biosig alleged that it disclosed its patented technology to StairMaster Sports Medical Products, Inc., which then, according to Biosig, sold exercise machines that used Biosig’s patented technology without a license.¹⁵³ Nautilus, under a different name, purchased StairMaster, which was bankrupt, in 2002.¹⁵⁴ In 2004, Biosig sued Nautilus for patent infringement.¹⁵⁵ Nautilus filed a motion for summary judgment, seeking to hold the patent invalid for indefiniteness.¹⁵⁶ The district court granted Nautilus’s motion for summary judgment and Biosig appealed.¹⁵⁷

The Federal Circuit reversed and remanded on the issue of whether the claims of Biosig’s patent were invalid for indefiniteness.¹⁵⁸ According to the Federal Cir-

¹⁴⁴ *Id.* The Court further declined Akamai’s request to review precedent on direct infringement. *Id.* The Court stated that the Federal Circuit could review that matter on remand if it chose to. *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ 35 U.S.C. § 112(b) (2013).

¹⁴⁷ *Nautilus, Inc., v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014).

¹⁴⁸ *Id.* at 2125.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 2124.

¹⁵¹ Biosig Instruments bills itself as innovators in fitness electronics and products. BIOSIG INSTRUMENTS INC., <http://www.biosiginstruments.com/> (last visited November 3, 2014).

¹⁵² U.S. Patent No. 5,337,753 (filed June 9, 1992).

¹⁵³ *Nautilus*, 134 S. Ct. at 2126.

¹⁵⁴ Direct Focus, Inc., Amended Current Report (Form 8-K/A) (April 24, 2002), available at <http://investors.nautilusinc.com/secfiling.cfm?filingID=1072613-02-687>.

¹⁵⁵ *Nautilus*, 134 S. Ct. at 2126.

¹⁵⁶ *Id.* at 2127.

¹⁵⁷ *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891, 893 (Fed. Cir. 2013), cert. granted, 134 S. Ct. 896 (2014), and vacated, 134 S. Ct. 2120 (2014).

¹⁵⁸ *Id.* at 893.

cuit, a claim is indefinite “only when it is ‘not amenable to construction’ or ‘insolubly ambiguous.’”¹⁵⁹

The Supreme Court granted certiorari and vacated and remanded.¹⁶⁰ The Court found that the Federal Circuit’s standard for determining invalidity did not satisfy the Patent Act’s definiteness requirement.¹⁶¹ The Court observed that determination of definiteness is a delicate balance that must take into account the limitations of language, while being precise enough to give clear notice of what is claimed.¹⁶² Balancing the competing concerns, the Court noted that the statutory definiteness requirement is that a “patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”¹⁶³

VII. *Alice Corp. v. CLS Bank International*

“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.”¹⁶⁴

In *Alice Corp. v. CLS Bank International*, at issue was whether the claims were patent eligible subject matter.¹⁶⁵ Ian Shepherd founded Alice Corporation in the early 1990’s¹⁶⁶ and assigned four U.S. patents to Alice Corporation.¹⁶⁷ All of the patents essentially had the same specifications, and the patents claimed computerized methods, computer-readable media, and systems to conduct financial transactions to mitigate settlement risk.¹⁶⁸ According to Alice Corporation, in 2000 it began licensing its intellectual property, and in 2002, shortly after CLS Bank began

¹⁵⁹ *Id.* at 898 (citing *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347 (Fed. Cir. 2005), *abrogated by* *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014)).

¹⁶⁰ *Nautilus*, 134 S. Ct. at 2131.

¹⁶¹ *Id.* at 2124.

¹⁶² *Id.* at 2128–29.

¹⁶³ *Id.* at 2129.

¹⁶⁴ 35 U.S.C. § 101 (2012).

¹⁶⁵ 134 S. Ct. 2347, 2352 (2014).

¹⁶⁶ *About Us*, ALICE CORPORATION, http://www.alicecorp.com/fs_about_us.html (last visited November 3, 2014).

¹⁶⁷ *CLS Bank Int’l v. Alice Corp.*, 768 F. Supp. 2d 221, 224 (D.D.C. 2011), *rev’d*, 685 F.3d 1341 (Fed. Cir. 2012), *reh’g en banc granted, opinion vacated*, 484 F. App’x 559 (Fed. Cir. 2012), *and aff’d*, 717 F.3d 1269 (Fed. Cir. 2013), *aff’d*, 134 S. Ct. 2347 (2014). The four patents are U.S. Patent Number 5,970,479, U.S. Patent Number 6,912,510, U.S. Patent Number 7,149,720, and U.S. Patent Number 7,725,375. *Id.*

¹⁶⁸ *CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269, 1284 (Fed. Cir.), *cert. granted*, 134 S. Ct. 734 (2013), *and aff’d*, 134 S. Ct. 2347 (2014). Claims 33 and 34 of the ‘479 patent and all claims of the ‘510 patent concern methods. *Id.* at 1285. All claims of the ‘720 patent and claims 1–38 and 42–47 of the ‘375 patents concern systems. *Id.* Claims 39–41 of the ‘375 patent concern computer-readable storage media. *Id.*

operations, Alice Corporation approached CLS Bank to offer it a license.¹⁶⁹ CLS Bank operated a “global network that facilitates currency transactions.”¹⁷⁰

In 2009, CLS Bank requested a summary judgment declaring that all of Alice Corporation’s patent claims were invalid due to lack of patentable subject matter.¹⁷¹ Alice Corporation cross-moved for partial summary judgment, alleging that all claims were directed to patentable subject matter.¹⁷²

The district court started its analysis by examining the statutory requirements for patentable subject matter,¹⁷³ and gave the three exceptions to statutory subject matter given by the Supreme Court: (1) laws of nature, (2) physical phenomena, and (3) abstract ideas.¹⁷⁴ CLS Bank argued that Alice’s claims were not patentable because they were abstract ideas.¹⁷⁵ The district court agreed that the method claims¹⁷⁶ and the system claims¹⁷⁷ were directed towards abstract ideas and so were not patent-eligible subject matter.¹⁷⁸ As a result, the district court granted CLS’s motion for summary judgment.¹⁷⁹

A Federal Circuit panel heard the case on appeal.¹⁸⁰ CLS Bank’s petition for a rehearing en banc was granted, and the panel’s opinion was vacated.¹⁸¹ On May 10, 2013, a per curiam opinion of the Federal Circuit stated:

Upon consideration en banc, a majority of the court affirms the district court’s holding that the asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101. An equally divided court affirms the district court’s holding that the asserted system claims are not directed to eligible subject matter under the statute.¹⁸²

¹⁶⁹ *About Us*, ALICE CORPORATION, http://www.alicecorp.com/fs_about_us.html (last visited November 3, 2014).

¹⁷⁰ *Alice*, 134 S. Ct. at 2349. CLS Bank, an American firm, “operates the largest multicurrency cash settlement system to mitigate settlement risk” in foreign exchange transactions. *About Us*, CLS, <http://www.cls-group.com/About/Pages/default.aspx> (last visited November 3, 2014).

¹⁷¹ *CLS Bank*, 768 F. Supp. 2d at 228.

¹⁷² *Id.*

¹⁷³ *Id.* at 229.

¹⁷⁴ *Id.* at 230 (citing *Bilski v. Kappos*, 561 U.S. 593, 601 (2010)).

¹⁷⁵ *Id.* at 233.

¹⁷⁶ The method claims are claims 33 and 34 of the ‘479 patent and claims 1–75 of the ‘510 patent. *Id.* at 233.

¹⁷⁷ The system and product claims of the ‘720 and ‘375 patents are directed towards a machine or manufacture. *CLS Bank*, 768 F. Supp. 2d at 248.

¹⁷⁸ *Id.* at 255.

¹⁷⁹ *Id.*

¹⁸⁰ *CLS Bank Int’l v. Alice Corp.*, 484 F. App’x 559, 559 (Fed. Cir. 2012).

¹⁸¹ *Id.* The vacated order was one of the first after *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012). Joshua A. Kresh, *Patent Eligibility After Mayo: How Did We Get Here and Where do We Go?*, 22 FED. CIR. B.J. 521, 539 (2013).

¹⁸² *CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013) (en banc) (per curiam), *cert. granted*, 134 S. Ct. 734 (2013), *and aff’d*, 134 S. Ct. 2347 (2014).

The Federal Circuit's per curiam decision was followed by a fractured series of opinions by members of the en banc court.¹⁸³ While no opinion garnered a majority, Judge Lourie noted that

seven of the ten members, a majority, of this en banc court have agreed that the method and computer-readable medium claims before us fail to recite patent-eligible subject matter. In addition, eight judges, a majority, have concluded that the particular method, medium, and system claims at issue in this case should rise or fall together in the § 101 analysis.¹⁸⁴

Writing for a five-member plurality, Judge Lourie, joined by Judges Dyk, Prost, Reyna, and Wallach, examined the statutory subject matter for patent eligibility and stated that while it seems “deceptively simple,” applying this subject matter to computer-related inventions and to other areas of technology “has long vexed this and other courts.”¹⁸⁵ Examining the precedents used by the district court,¹⁸⁶ as well as the Court's most recent guidance on patent eligibility, *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, the first question was whether the patent claims were statutorily eligible for protection, and if so, whether there was a judicial exception to patent eligibility.¹⁸⁷

Examining claim 33 of the '479 patent as representative of the method claims, the en banc court determined that the claim recited a process under the statute.¹⁸⁸ As such, the remaining question whether there was a judicial exception to eligibility.¹⁸⁹ Judge Lourie and the plurality stated that “the claim lacks *any* express language to define the computer's participation.”¹⁹⁰ “[S]imply appending generic computer functionality to lend speed or efficiency to the performance of an otherwise abstract concept” does not grant patent eligibility.¹⁹¹ Similarly, the computer-readable media claims and the system claims failed for the same reason.¹⁹² Thus, the plurality affirmed the district court's decision on all three groups of claims because they were patent-ineligible abstract ideas.¹⁹³

Chief Judge Rader dissented, joined in part by Judges Linn, Moore, and O'Malley.¹⁹⁴ Chief Judge Rader and Judge Moore noted that they would affirm the district court's decision rendering the method and media claims patent ineligible.¹⁹⁵

¹⁸³ *Id.* This decision was called “the high point of confusion” on patent-eligible subject matter. Steven W. Gutke, *Recent Development: Recent Developments in the Patent-Eligibility of Software and Navigating the Uncertainty from a Patent Drafter's Perspective*, 13 U. ILL. J.L. TECH. & POL'Y 423, 433 (2013).

¹⁸⁴ *CLS Bank*, 717 F.3d at 1273 n.1.

¹⁸⁵ *Id.* at 1276.

¹⁸⁶ *Id.* at 1297.

¹⁸⁷ *Id.* at 1282.

¹⁸⁸ *Id.* at 1285.

¹⁸⁹ *Id.*

¹⁹⁰ *CLS Bank*, 717 F.3d at 1286.

¹⁹¹ *Id.*

¹⁹² *Id.* at 1284.

¹⁹³ *Id.* at 1292.

¹⁹⁴ *Id.*

¹⁹⁵ *Id.* at 1313.

However, Chief Judge Rader, joined by Judges Linn, Moore, and O'Malley, noted that they would reverse the district court's finding of patent ineligibility of the system claims.¹⁹⁶ Chief Judge Rader observed the split nature of the court as being evenly split on the system claims.¹⁹⁷ He further noted that although a majority of the judges agreed on the patent ineligibility of the method claims, "no majority of those judges agree[d] as to the legal rationale for that conclusion."¹⁹⁸ Thus, nothing beyond the ruling was precedent setting. It is thus not surprising that the U.S. Supreme Court granted certiorari.¹⁹⁹

Chief Judge Rader started the analysis with the text of the patent statute,²⁰⁰ and stated that for the judicial exceptions, which were to be narrowly construed,²⁰¹ the claims as a whole must be considered.²⁰² While agreeing with Judge Lourie that the method claims were patent ineligible, Chief Judge Rader did so on different grounds, and all four dissenters held that the system claims were patent eligible.²⁰³

Judge Moore authored a dissenting in part opinion on the system claims, joined by Chief Judge Rader and Judges Linn and O'Malley.²⁰⁴ He respectfully stated that the plurality was incorrect about the system claims and turned a narrow judicial exception into one with "staggering breadth."²⁰⁵ When asked at oral argument by Justice Sotomayor which opinion best fits Alice Corporation's position, Carter Phillips, counsel on behalf of Alice Corporation, stated that it was Judge Moore's.²⁰⁶

Judge Newman concurred in part and dissented in part.²⁰⁷ Judge Newman stated that the en banc court tried to remedy inconsistent precedent but failed.²⁰⁸ Judge Newman wanted the Federal Circuit to reaffirm three basic principles.²⁰⁹ The first principle she put forth was that the patent statute gives an inclusive list of patentable subject matter.²¹⁰ The second principle was that the form of the claim does not determine statutory patent eligibility.²¹¹ The third principle was that using patented information for study and experimentation are not barred.²¹²

¹⁹⁶ *CLS Bank*, 717 F.3d at 1313.

¹⁹⁷ *Id.* at 1336 n.1.

¹⁹⁸ *Id.*

¹⁹⁹ *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

²⁰⁰ *CLS Bank*, 717 F.3d at 1294.

²⁰¹ *Id.* at 1303.

²⁰² *Id.* at 1298.

²⁰³ *Id.* at 1313.

²⁰⁴ *Id.* at 1313 (Moore, J., dissenting in part).

²⁰⁵ *Id.*

²⁰⁶ Transcript of Oral Argument at 21–22, *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) (No. 13-298). Mark Perry, counsel for CLS Bank, stated that if the Supreme Court precedents of *Bilski* and *Mayo* stand, then Alice's patents must fail. *Id.* at 24.

²⁰⁷ *CLS Bank*, 717 F.3d at 1321 (Newman, J., concurring in part and dissenting in part).

²⁰⁸ *Id.*

²⁰⁹ *Id.* at 1322.

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *Id.*

Finally, Chief Judge Rader gave additional reflections on his twenty-five years on the bench, holding to the credo that, when “all else fails, consult the statute!”²¹³

On June 19, 2014, a unanimous Supreme Court cleared the muddied waters and affirmed the Federal Circuit.²¹⁴ Writing for the majority, Justice Thomas stated that all claims were drawn to the abstract idea of a third-party intermediary computer entering settlements between two parties, thus managing risk.²¹⁵ The Court determined that all the claims either expressly (the system and media claims) or by stipulation (the method claims) recited a computer,²¹⁶ and “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”²¹⁷

Justice Thomas cited the 2012 precedent of *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* for the principle that laws of nature, abstract ideas, and natural phenomena are not patentable.²¹⁸ Because patenting an invention that falls within these three categories could preempt or thwart innovation, the Court emphasized the need to distinguish between patent claims which merely have the basic building blocks and those that turn the building blocks into something more, transforming those building blocks into patent-eligible subject matter.²¹⁹ The Court cited the *Mayo* framework: a court must determine if the claims are directed towards patent-ineligible subject matter, and if so, must search for an inventive concept that could transform the claims into patent-eligible subject matter.²²⁰

Applying the framework and *Bilski v. Kappos* to the claims in question, the Court found that the claims were clearly directed to an abstract idea of having a third-party intermediary computer to mitigate settlement risk.²²¹ The Court observed that using a clearinghouse is a fundamental and long-standing business practice to manage risk and thus was a patent-ineligible abstract idea.²²² Applying the second step of the *Mayo* test, to determine if there was any inventive concept to transform the claimed abstract idea into patent-eligible subject matter, the Court concluded for all claims that there was nothing of substance added to the underlying abstract idea.²²³ Thus, all claims were patent ineligible.²²⁴ The relevant question, according to the Court, is whether the claims “do more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic

²¹³ *CLS Bank*, 717 F.3d at 1335 (Rader, C.J., additional reflections).

²¹⁴ *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2360 (2014).

²¹⁵ *Id.* at 2356.

²¹⁶ *Id.* at 2353.

²¹⁷ *Id.* at 2358.

²¹⁸ *Id.* at 2354 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)).

²¹⁹ *Id.* (quoting *Mayo*, 132 S. Ct. at 1303).

²²⁰ *Alice*, 134 S. Ct. at 2355 (citing *Mayo*, 132 S. Ct. at 1296–98).

²²¹ *Id.* at 2356.

²²² *Id.*

²²³ *Id.* at 2357–60.

²²⁴ *Id.*

computer.”²²⁵ Since they did not, the Court affirmed the Federal Circuit’s decision.²²⁶

Justice Sotomayor, joined by Justices Ginsburg and Breyer, concurred stating that any claim that is a method of doing business is not a process under the Patent Act.²²⁷ They further stated that the method claims at issue were drawn to an abstract idea.²²⁸

At the time of this writing, on June 25, 2014, the U.S. Patent and Trademark Office issued a Memorandum of Preliminary Instructions, which applies the *Mayo* framework, post-*Alice*, to all categories of statutory patentable subject matter and to all types of judicial exceptions.²²⁹

VIII. Conclusion

The Supreme Court in the 2013–14 term decided a historic number of patent appeals.²³⁰ The Court, while divided on other issues in the 2013–14 term, stood unanimously on six patent cases, only affirming the Court of Appeals once in *Alice*. The Court thus reined in the Federal Circuit during this term.

In *Medtronic*, the Court held that the patentee bears the burden of persuasion for non-infringement.²³¹ In *Limelight*, the Court held that there can be no indirect infringement without direct infringement.²³² In *Nautilus*, the Court held that the standard for indefiniteness is if the claims, read in light of the specification and prosecution history, fail to inform those skilled in the art with reasonable certainty.²³³

The year 2014 was not a good year for patent assertion entities, sometimes derogatively called patent trolls, at the Supreme Court. Because of *Octane Fitness* and *Highmark*, attorney’s fees are now easier to recover in patent infringement suits. Further, in *Alice*, the Court held that “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”²³⁴ Patent assertion entities must now bear the risk that if their claims are patent-ineligible abstract ideas, they may be responsible for the other party’s attorney’s fees. This raises the risk of patent assertions.

²²⁵ *Id.* at 2359.

²²⁶ *Alice*, 134 S. Ct. at 2360.

²²⁷ *Id.*

²²⁸ *Id.*

²²⁹ Memorandum from the U.S. Patent and Trademark Office to the Patent Examining Corps (June 25, 2014), available at http://www.uspto.gov/patents/announce/alice_pec_25jun2014.pdf.

²³⁰ Ashby Jones, *Critics Fault Court’s Grip on Appeals for Patents*, WALL ST. J., July 6, 2014, <http://online.wsj.com/articles/critics-fault-courts-grip-on-appeals-for-patents-1404688219>.

²³¹ *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 846 (2014).

²³² *Limelight Networks, Inc. v. Akamai Techs. Inc.*, 134 S. Ct. 2111, 2117 (2014).

²³³ *Nautilus, Inc., v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014).

²³⁴ *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2358 (2014).

In this author's opinion, the Court unanimously sent a clear message in the area of patent law in the 2013–14 term, striking a balance in this complex area of law to promote the progress of science and useful arts.

