
**United States Court of Appeals
for the Federal Circuit**

CLS BANK INTERNATIONAL,

Plaintiff-Appellee,

and

CLS SERVICES LTD.,

Counterclaim-Defendant Appellee,

v.

ALICE CORPORATION PTY. LTD.,

Defendant-Appellant.

*Appeal from the United States District Court for the District of
Columbia in case no. 07-CV-0974, Judge Rosemary M. Collyer*

**BRIEF OF *AMICUS CURIAE*
NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN
SUPPORT OF NEITHER PARTY**

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DECEMBER 7, 2012

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CLS BANK V. ALICE CORPORATION

No. 2011-1301

CERTIFICATE OF INTEREST

Counsel for *amicus curiae*, New York Intellectual Property Law Association, certifies the following:

1. The full names of every party or *amicus* represented by me are:

New York Intellectual Property Law Association.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are:

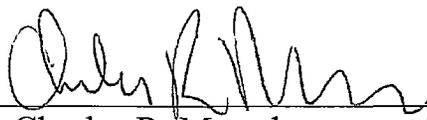
None.

4. The names of all law firms and the partners or associates that appeared for any of the parties or *amicus* now represented by me in the trial court or agency or are expected to appear in this Court are:

Anthony F. Lo Cicero, Charles R. Macedo and Michael J. Kasdan
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Dated: December 7, 2012

By: _____



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STATEMENT OF INTEREST OF *AMICUS CURIAE*

The New York Intellectual Property Law Association (“NYIPLA”) respectfully submits this *amicus curiae* brief in support of neither party. NYIPLA is a professional association of over 1,000 attorneys whose interests and practices lie in the area of patent, copyright, trademark, trade secret and other intellectual property law. NYIPLA members include a diverse group of attorneys specializing in patent law, encompassing attorneys in private practice and in-house counsel who represent businesses that own, enforce and challenge patents, as well as inventors in various proceedings before the USPTO and in federal courts across the country. A substantial percentage of NYIPLA attorneys participate actively in patent litigation, representing both patent owners and accused infringers.¹

¹ This brief is filed pursuant to this Court’s October 9, 2012 Order, which authorizes *amicus* briefs to be filed without consent and leave of Court. The filing of this brief by the NYIPLA was approved by its Board on December 3, 2012 by an absolute majority of the total number of officers and members of the Board of the NYIPLA (including such officers and Board members who did not vote for any reason, including recusal), but does not necessarily reflect the views of a majority of the members of the NYIPLA or of the firms with which those members are associated. Pursuant to Federal Circuit Rule 29(c)(5), no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members or its counsel made a monetary contribution to its preparation or submission. After reasonable investigation, the NYIPLA believes that no member of its Board or Amicus Committee who voted to prepare this brief on its behalf, or any attorney in the law firm or corporation of such a Board or Committee member, or attorney, who aided in preparing this brief, represents a party with respect to this litigation.

QUESTIONS PRESENTED FOR *EN BANC* REVIEW

This Court's *per curiam* order of October 9, 2012 asks:

- a. What test should the court adopt to determine whether a computer-implemented invention is a patent ineligible "abstract idea"; and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise patent-ineligible idea?
- b. In assessing patent eligibility under 35 U.S.C. § 101 of a computer-implemented invention, should it matter whether the invention is claimed as a method, system, or storage medium; and should such claims at times be considered equivalent for § 101 purposes?

BRIEF ANSWERS

Without offering any opinion on the validity of the claims at issue, NYIPLA submits this brief to provide its views on how this Court should answer the questions presented to clarify the application of Supreme Court precedent under 35 U.S.C. § 101 as mandated in *Bilski v. Kappos*, 130 S. Ct. 3218, 3229, 3231 (2010).

Recently, the jurisprudence on patent-eligibility has placed a cloud over many patents, particularly computer-implemented inventions. NYIPLA encourages this Court to reduce and/or eliminate this confusion in favor of fair, reasonable and predictably applied principles that allow appropriate computer-implemented inventions to be the subject of patent protection. NYIPLA believes that the guiding principles set forth herein are extracted from the patent-eligibility jurisprudence of the Supreme Court and that this Court can cut through this confusion. *See infra* Part I.

As to the first question presented, the focus of any Section 101 inquiry must be on the difference between claims that preempt an abstract idea, which are patent-ineligible, and claims that are directed to a particular application of an abstract idea, which are patent-eligible. Under governing Supreme Court precedent, the mere presence of a computer in a claim should not alter the fundamental analysis as to whether the claim as a whole preempts the abstract idea at issue or whether there remain available ways outside of the claim to apply the abstract idea. *See infra* Part II.A. Moreover, this inquiry must address the claim as a whole. Efforts in some decisions to dissect the claim into old and new parts or computer and non-computer elements, should be rejected as squarely inconsistent with the Supreme Court's holdings in *Diamond v. Diehr*, 450 U.S. 175, 188-89 (1981), and *Bilski*, 130 S. Ct. at 3230.

While the presence of a computer in a claim that preempts an abstract idea should not in and of itself be sufficient to establish patent-eligible matter, it is not insignificant to the analysis. For example, in the context of the "mental steps" doctrine, the use of a machine, *i.e.*, a computer or hardware, to meaningfully participate in the claimed actions can overcome these categories of objections to patent-eligibility. *See infra* Part II.B.

As discussed in Part III, as to the second question, whether a computer-implemented invention is claimed as a method, system or storage medium should not affect the Section 101 analysis. *See infra* Part III. A proper analysis should not

depend upon the form of the claims. *See id.* This would elevate form over substance. However, NYIPLA does not agree that method, system and storage medium claims should *ipso facto* rise and fall together. Rather, each claim (regardless of its type) should be considered independently as a whole to determine whether it is directed to patent-eligible subject matter.

ARGUMENT

I. GUIDING PRINCIPLES OF PATENT-ELIGIBILITY DERIVED FROM GOVERNING SUPREME COURT PRECEDENT

In *Bilski*, the Supreme Court reaffirmed the general principles that govern patent eligibility under Section 101, as synthesized in *Diehr*. The Court has consistently framed the inquiry based on two questions:

1. Does the claimed subject matter fall within one of the four statutory categories of patent-eligible subject matter: (i) process, (ii) machine, (iii) manufacture, or (iv) composition of matter (or any improvement thereof)?
2. If so, is the claimed subject matter directed to one of three so-called “fundamental principles,” *i.e.*, laws of nature, natural phenomena or abstract ideas, which are exceptions to patent-eligible subject matter?

See Bilski, 130 S. Ct. at 3225; *Diehr*, 450 U.S. at 185 (harmonizing, *inter alia*, *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980); *Parker v. Flook*, 437 U.S. 584, 589 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)).²

² Last term, the Supreme Court reaffirmed these principles in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289 (2012), in the context of addressing the laws of nature exception to patent-eligibility.

In application then, under the first inquiry, for an invention to be patent-eligible, it must fall within at least one of the four enumerated categories of patent-eligible subject matter, namely: “process,” “machine,” “manufacture” or “composition of matter.” 35 U.S.C. § 101 (2006).

The second inquiry is whether the invention falls into what the Supreme Court has historically recognized as the three exceptions to this general rule: it must not claim (*i.e.*, preempt) “laws of nature, natural phenomena, and abstract ideas.” *Mayo*, 132 S. Ct. at 1293; *Bilski*, 130 S. Ct. at 3225; *Diehr*, 450 U.S. at 185; *Chakrabarty*, 447 U.S. at 309. The Court has reasoned that these fundamental principles “are not patentable, as they are the basic tools of scientific and technological work.” *Benson*, 409 U.S. at 67. “Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that $E=mc^2$; nor could Newton have patented the law of gravity. Such discoveries are ‘manifestations of . . . nature, free to all men and reserved exclusively to none.’” *Chakrabarty*, 447 U.S. at 309 (citation omitted).

With respect to this second inquiry, however, as discussed in *Diehr*, *Bilski* and *Mayo*, ample, and in some cases ancient, precedent has recognized that an invention may nonetheless be directed to the *practical application* of a fundamental principle and be patent-eligible. *See Mayo*, 132 S. Ct. at 1293-94 (“an

application of a law of nature or a mathematical formula to a known structure or process may well be deserving of patent protection”) (quoting *Diehr*, 450 U.S. at 187); *Bilski*, 130 S. Ct. at 3230 (same); *Cochrane v. Deener*, 94 U.S. 780 (1877); *O’Reilly v. Morse*, 56 U.S. (15 How.) 62 (1854); *Le Roy v. Tatham*, 55 U.S. (14 How.) 156 (1853). Thus, under the second inquiry, a determination must be made as to which side of the line the claimed subject matter falls: a fundamental principle, which is not patent-eligible, or a practical application of a fundamental principle, which is patent-eligible.

The focus of the *en banc* inquiry in this case is on the “abstract idea” exception. Here, the Supreme Court has confirmed the following guidelines:

1. Merely restricting an abstract idea to a particular field of use, like energy markets in *Bilski*, does not convert an abstract principle into a practical application of an abstract principle. *Bilski*, 130 S. Ct. at 3225; *see also Mayo*, 132 S. Ct. at 1294 (quoting *Diehr*, 450 U.S. at 191-92); *Diehr*, 450 U.S. at 191-92.
2. Merely tying a claim to a machine or computer in an extra-solutional manner is also not sufficient to transform an abstract principle into a patent-eligible practical application of that principle. *See Mayo*, 132 S. Ct. at 1294; *Bilski*, 130 S. Ct. at 3230; *Diehr*, 450 U.S. at 191-92; *Flook*, 437 U.S. at 590, 594.
3. As stated in *Bilski*, the so-called machine-or-transformation test, while useful, is not dispositive, and, as suggested by the patent ineligible result in *Mayo*, satisfying the transformation prong is not necessarily a safe harbor. *Mayo*, 132 S. Ct. at 1302-03; *Bilski*, 130 S. Ct. at 3225-27.
4. A claim must do something more than merely “apply” a fundamental principle to transform it into a practical application thereof. *Mayo*, 132 S. Ct. at 1294 (citing *Benson*, 409 U.S. at 71-72).

Bilski left it to this Court to develop the contours of the distinction between preempting an abstract idea and practically applying one. *See* 130 S. Ct. at 3229.

NYIPLA respectfully submits that unfortunately, to date, this Court's precedent has appeared inconsistent and unpredictable, and thus difficult to predictably apply. Some cases, like *Research Corp. Techs. v. Microsoft Corp.*, 627 F.3d 859, 868 (Fed. Cir. 2010), *Classen Immunotherapies v. Biogen IDEC*, 659 F.3d 1057, 1065-69 (Fed. Cir. 2011), and *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1327-28 (Fed. Cir. 2011), *cert. granted, vacated and remanded*, 132 S. Ct. 2431 (U.S. 2012), have set forth a new standard under which a patent claim should not be held to be patent ineligible unless the claim is "manifestly abstract." Other cases, like *CyberSource Corp. v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011), and the dissent in the panel decision here, have offered an approach that dissects the claims into their various elements and analyzes the elements considered to be inventive divorced from the remaining elements of the claim. Still other cases, like the majority in the panel decision here, have offered yet a different approach.³

This unpredictability is harmful to the U.S. economy and the patent system as a whole. As the Economics and Statistics Administration and the USPTO

³ *See generally* Charles R. Macedo & Sandra R. Hudak, *Understanding Patent Eligibility of New Technology in the United States*, J. Intell. Prop. L. & Prac. (2012), available at www.arelaw.com.

reported in March 2012, “[t]he granting and protection of intellectual property rights is vital to promoting innovation and creativity and is an essential element of our free-enterprise, market-based system.” Econ. & Statistics Admin. and USPTO, *Intellectual Property and the U.S. Economy: Industries in Focus* v (Mar. 2012), www.uspto.gov/news/publications/IP_Report_March_2012.pdf. This report recognizes that computers and peripheral equipment are part of the top patent-intensive job-producing sector in the U.S. economy.⁴

NYIPLA believes this Court should adopt a clear and consistent jurisprudence that allows for and encourages computer-implemented inventions that promote innovation and creativity. Following these principles, NYIPLA addresses the questions presented in this Court’s *en banc* order as follows.

II. TEST FOR ABSTRACTNESS OF COMPUTER-IMPLEMENTED INVENTIONS

After ascertaining that the claimed subject matter falls within one of the four statutory categories of patent-eligible subject matter, a proper Section 101 analysis

⁴ Indeed, as Director Kappos recently explained: “Because many breathtaking software-implemented innovations power our modern world, at levels of efficiency and performance unthinkable even just a few years ago, patent protection is every bit as well-deserved for software-implemented innovation as for the innovations that enabled man to fly, and before that for the innovations that enabled man to light the dark with electricity, and before that for the innovations that enabled the industrial revolution.” See David Kappos, USPTO Dir., An Examination of Software Patents, Address at Center for Am. Progress (Nov. 20, 2012), [available at www.uspto.gov/news/speeches/2012/kappos_CAP.jsp](http://www.uspto.gov/news/speeches/2012/kappos_CAP.jsp).

should next consider whether the claimed subject matter is directed towards a fundamental principle: laws of nature, natural phenomena or abstract ideas.

NYIPLA respectfully submits that in order to determine whether a claim is directed to a patent-ineligible abstract idea rather than a patent-eligible application of an abstract idea, the Court should adopt an approach in which the “abstract idea” implicated is first defined, and next, the claim as a whole is analyzed to determine if there are ways to practice this “abstract idea” that fall outside the scope of the claimed invention. Under this approach, the presence or absence of a computer or machine in a claim is not dispositive. This approach is consistent with the methodology used in *Bilski* and *Diehr* and discussed in *Mayo*. *See infra* Part II.A.

However, including a computer in a claim may make a difference in addressing categories of patent-eligibility objections that are based on other doctrines, like the “mental steps” doctrine. *See infra* Part II.B. Understanding the role of these doctrines helps to explain the evolution of the so-called “machine-or-transformation test” and to understand the circumstances in which it is appropriately applicable.

A. Proposed Test for Determining Whether Claims Preempt an Abstract Idea

NYIPLA submits that, consistent with governing Supreme Court precedent, a line should be drawn in favor of patent eligibility of a claim that involves the practical application of an abstract idea, where a computer-implemented application of the idea is but one of multiple ways to practice the idea. To make

this determination, first the “abstract idea” implicated must be defined, and then the claim as a whole must be analyzed to determine if there are ways to practice this “abstract idea” that fall outside the scope of the claimed invention.

Bilski and *Diehr* illustrate this approach. In *Bilski*, the abstract idea was “hedging risk.” *Bilski*, 132 S. Ct. at 3223-24. The *Bilski* claim was found to preempt anyone from practicing the abstract idea, albeit within a particular field of use, *i.e.*, energy markets. *Id.* at 3231. By contrast, in *Diehr*, the abstract idea was a particular mathematical formula. 450 U.S. at 177. However, the claim did not preempt all uses of that mathematical formula, even in the context of the field of use of curing rubber. Rather, it was limited to a particular application of that formula based on specific limiting steps:

“[R]espondents here do not seek to patent a mathematical formula. Instead, they seek patent protection for a process of curing synthetic rubber. Their process admittedly employs a well-known mathematical equation, but they do not seek to pre-empt the use of that equation. Rather, they seek only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process.”

Id. at 187; *see Mayo*, 132 S. Ct. at 1301-02 (discussing *Morse*, *Benson* and *Bilski*).

In this context, merely embodying an abstract idea in a computer or another machine does not, by itself, avoid it from being abstract. *See CyberSource*, 654 F.3d at 1375-76 (quoting *Bilski*, 130 S. Ct. at 3231). For example, Claim 8 in *Benson*, was found by the Supreme Court to preempt an abstract idea, and thus to

not be patent-eligible, even though it integrated traditional computer elements like a shift register in a meaningful way into the claimed steps. 409 U.S. at 71-72.

Accordingly, the crux of the patent-eligibility inquiry should properly focus on determining whether the claim as a whole preempts the use of the abstract idea. When it does not, such as when the computer-implemented application of the idea is one of multiple ways to apply the idea, the claim should be patent-eligible.

This Court's precedent, including *SiRF Tech. v. I.T.C.*, 601 F.3d 1319, 1333 (Fed. Cir. 2010), *Research Corp., Ultramercial*⁵ and other cases, provides useful guidance that help distinguish between an abstract idea and the practical application of such an idea by listing certain specific, objective factors that can be considered. For example:

- The claim is to a practical application of a concept;
- The claim includes limitations inextricably tied to the use of computers;
- The claim involves specific applications or improvements to technologies already in the marketplace;
- The claim involves controlled interactions over the internet or other network; and/or
- The abstract idea can be performed without infringing the claim.

On the other hand, factors tending to lead to the conclusion that a claim is not patent-eligible include, for example:

⁵ NYIPLA recognizes that the Supreme Court's grant of *certiorari* and vacating of the panel decision in *Ultramercial* can probably be understood as rejecting a "manifest abstractness" test as advocated in that line of cases. Nonetheless, NYIPLA encourages this Court to continue to use the factors set forth in those cases as helpful guideposts of divining between a preempted abstract idea and a patent-eligible practical application of one.

- The claim preempts an abstract idea;
- Limitations in the claim merely define a field of use, rather than a particular way of practicing the idea; and/or
- The claim merely says “apply it” with respect to a fundamental principle.

In performing the analysis, the claim should be analyzed as a whole, and should not be parsed into new and old portions or dissected to remove computer portions to find the abstract principles buried within the claim. The Supreme Court made this requirement clear in *Diehr*:

In determining the eligibility of respondents’ claimed process for patent protection under § 101, their claims must be considered as a whole. It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis. This is particularly true in a process claim because a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made. The “novelty” of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.

Diehr, 450 U.S. at 188-89 (footnote omitted); *see also Classen*, 659 F.3d at 1068.

Courts may not simply ignore claim limitations since, by statute, inventions are defined in the claims by the patentee. 35 U.S.C. § 112 (2006). Thus, analysis of computer-implemented claims under Section 101 must account for all elements of those claims. Computer-implemented claims should not be rejected merely because they “at some level embody, use, reflect, rest upon, or apply . . . abstract ideas.” *Mayo*, 132 S. Ct. at 1293.

Recent decisions of this Court, like *CyberSource* and the dissent in the panel decision here, might be read as endorsing an approach that allows a claim to be parsed. Consistent with Supreme Court precedent and the Patent Act, this approach should be squarely rejected.

B. Objections Based on “Mental Steps” Doctrine Can Potentially Be Overcome by Meaningfully Tying Claimed Steps to a Computer or Other Machine/Device

Under the “mental steps” doctrine, a claim that can be performed solely in a person’s mind is considered “abstract” and patent-ineligible. *See, e.g., Diehr*, 450 U.S. at 196; *CyberSource*, 654 F.3d at 1373 (a claim “that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101”); *see also Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1309 (Fed. Cir. 2012). Thus, “mental processes—or processes of human thinking-standing alone are not patentable even if they have practical application.” *In re Comiskey*, 554 F.3d 967, 979 (Fed. Cir. 2009).

However, when one or more steps of such a claim are tied in a meaningful way to a machine or device, like a computer, the claim no longer runs afoul of the mental steps doctrine. *Cf. Classen*, 659 F.3d at 1065; *Ultramercial*, 657 F. 3d at 1329-30. Applying this distinction in *Classen*, this Court found that those claims that included only mental steps (“correlation” steps that could be performed in the human mind) were not patent-eligible, while other claims that included both the

same mental steps and additional physical implementations (*e.g.*, immunization) were patent-eligible under 35 U.S.C. § 101 (2006). 659 F.3d at 1066-68. A step that could have been performed in the human mind is no longer a purely mental step when performed by a computer or in conjunction with some other machine or mechanical implementation.

NYIPLA respectfully submits that in this context, meaningfully tying claimed steps to a computer or other machine/device, as required under the traditional machine-or-transformation test, would overcome this type of objection.⁶ Nonetheless, to the extent a claim preempts an abstract idea (or another fundamental principle) it may still be found patent-ineligible. Therefore, claims must still be analyzed under the framework set forth in Part II.A., *supra*, where the “abstract idea” at issue is first defined and the claim as a whole is then analyzed to determine if there are ways to practice this “abstract idea” that fall outside the scope of the claimed invention.

⁶ Likewise, other kinds of objections, such as a “printed matter” objection, might also be overcome by meaningfully tying the claim to a computer or other machine. *See, e.g., In re Lowry*, 32 F.3d 1579, 1583 (Fed. Cir. 1995) (“printed matter” objection overcome where “the invention as defined by the claims *requires* that the information be processed not by the mind but by a machine”) (citation omitted).

III. APPLICATION OF THE GUIDING PRINCIPLES TO THE ANALYSIS OF A COMPUTER-IMPLEMENTED INVENTION CLAIMED AS A METHOD, SYSTEM OR STORAGE MEDIUM

As to the second question of whether a claim's form as a method, system or storage medium should impact the Section 101 analysis, NYIPLA respectfully submits that its particular form should not drive the analysis. *See Mayo*, 132 S. Ct. at 1294 (“patent eligibility [does not] ‘depend simply on the draftsman’s art’”) (quoting *Flook*, 437 U.S. at 593); *cf. Quanta Computer v. LG Electronics*, 553 U.S. 617, 629-30 (2008) (warning of the danger of adopting certain rules for method claims and others for apparatus claims, where “Patentees seeking to avoid [a particular result] could simply draft their patent claims to describe a method rather than an apparatus.”). A proper analysis should not depend upon the form of the claims. This would elevate form over substance.

However, as noted in Part II.B, *supra*, it is crucial that a claim be analyzed as a whole. Because each claim (regardless of its type) should be considered independently as a whole, NYIPLA does not agree that method, system and storage medium claims should *ipso facto* rise and fall together.

CONCLUSION

NYIPLA respectfully submits that this Court should set forth useful guidelines discussed herein for when a computer-implemented claim preempts an abstract idea, and is thus patent-ineligible, and when it merely claims an application of an abstract idea, and is thus patent-eligible.

December 7, 2012

Respectfully submitted,



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**United States Court of Appeals
for the Federal Circuit**
CLS BANK v. ALICE CORPORATION, 2011-1301

CERTIFICATE OF SERVICE

I, John C. Kruesi, Jr., being duly sworn according to the law and being over the age of 18, upon my oath depose and say:

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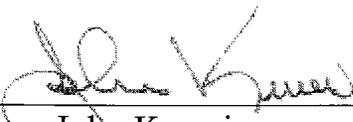
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