How one little decision can have great implications.

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In common law jurisdictions, judge-made law - like any law - can be affected retroactively, or in application can have a somewhat retroactive effect.

For patents, this means that on any given day, a court can hand down a decision about someone else's patent - and that decision can invalidate *your* patent, or give the patent office cause to revoke your notice of allowance and issue a new rejection in your application.

For example, in 2014 the Supreme Court of the United States decided in *Alice v. CLS Bank* that software patents would be subject to a new test to determine patentability of subject matter.

One little decision

First, a little background: 35 U.S.C. §101 lays out four categories of invention: process, machine, manufacture, and composition of matter and improvements thereof. Judges have since interpreted these categories to exclude: laws of nature, natural phenomena, and abstract ideas. An eligible claim must fall within one of the four categories while avoiding the three judicial exceptions.

In *Alice*, the Court attempted to further define the judicially created exception of "abstract idea". It held that for an idea which is so abstract that it cannot be patented, tacking it onto a "generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." Neither can tacking the abstract idea to a "purely functional and generic" hardware make it patent-eligible.

But the result in interpreting and applying the new standard dramatically impacted issued patents and pending applications. Particularly effected are applications drafted prior to *Alice* which cannot be amended to contemplate the decision without adding new matter.

Great big implications

This new judge-made standard is binding on lower courts and the United States Patent and Trademark Office (USPTO). Accordingly, the Federal Circuit and the USPTO have fallen in line.

The Federal Circuit Court of Appeals rests with her twelve sister circuit courts one step below the Supreme Court. It has the exclusive jurisdiction to hear appeals on civil actions related to patent protection. The Federal Circuit has strictly applied the new standard and rejected nearly all computer software as ineligible.

The USPTO's application of the new standard had a somewhat retroactive effect when it withdrew

previously allowed patent applications where no previous rejections stood (at least on the issue of subject matter patentability) and refunded the issues fees in order to issue rejections in line with *Alice*.

But how can the Court's decision in *Alice* have such a dramatic impact on patent applications for parties *who were not even involved in that lawsuit*? The answer to that lies in the U.S. common law tradition.

In a jurisdiction far, far away…

In the U.S. common law system, judge-made law—like the standard in *Alice*—can have a retroactive effect even without an explicit ruling that the decision be applied retroactively.

This is because common law systems derive binding law not only from statute, but from prior judicial decisions, quite unlike civil law systems where prior judicial decisions are not binding authority.

Differences between common and civil law

One major difference between U.S. law and European law is thought to be the difference in legal systems. Much of Europe abides by the civil law, and in contrast the U.S. generally abides by the common law.[1] But to think of it as a difference in legal systems is a bit inaccurate. Actually, it is more like a difference in ideology.

In theory the main difference between the two ideologies turns on the role that judges should play in making and interpreting the law.

The civil law values judicial restraint and places a strong emphasis on the legislature. Whereas the common law finds value in judge made law and considers prior decisions binding authority.

Practical aspects

In a civil law system, the legislature is solely imbued with lawmaking authority. Therefore, looking at *Alice* through a civil law lens, it is difficult to say how *Alice* would have been resolved, because civil law would not have recognized judicial exceptions in the first place.

In accordance with civil law principles, the new standard articulated by the Court in *Alice* would have instead been the product of legislation. Theoretically, the legislature would have considered any retroactive effect accordingly.

Yet, it is uncertain whether the legislature would have properly functioned to codify this standard. The U.S. Congress has long suffered from bouts of political deadlock, leaving judges to function as lawmakers. Additionally, it is uncertain whether Congress would have drafted a standard any better than that articulated by the Court in *Alice*.

On the one hand, having the judicial branch functioning as a backup source of law has kept the system from stalling completely.

On the other hand, the retroactive effect of Supreme Court decisions, like *Alice*, makes the future of many issued patents and patent applications uncertain.

The bad news

Obtaining a software patent has now become much more difficult because most software boils down to an abstract idea and claims are often written as broadly as possible to maximize their scope.

Furthermore, the new *Alice* standard is perhaps no more unambiguous than the old standard for determining patentability of subject matter.

In a common law jurisdiction, the remedy is to petition the politically deadlocked U.S. Congress to act and overrule the *Alice* via new legislation. Otherwise, litigants may roll the dice in court and rely on further interpretations by judges.

Even so, when drafting applications now, there is no guarantee that someday in the future the Supreme Court will not issue an unfavorable decision with a retroactive effect like *Alice*.

The good news

Although drafting patent applications to anticipate future decisions impossibly requires god-like

[1] The only exception is the state of Louisiana which inherited the Napoleonic Code from colonial France and retained its civil law tradition after annexation.

omniscience, there is hope yet for patent practice in common law jurisdictions.

Many attorneys—in both common and civil law jurisdictions—are trained and equipped to mitigate the deleterious effects of decisions like *Alice*.

For example, ideally, an application could be amended to contemplate *Alice* without adding new subject matter.

However, if that is not possible, there are still arguments to make before examiners and judges that seek a limit to *Alice*'s reach. For example, USPTO office actions include examination and rejections under more than just §101. They include rejections under other sections as well, like §102 (anticipated/novelty) and §103 (non-obvious/inventive step). In replying to rejections under §102 and §103, cited art can be introduced and used to bolster arguments against the §101 rejection.

Although *Alice* does not give guidance about what is a patentable abstract idea, there are ways of increasing a new application's chances of surviving a §101 rejection, like including a greater technological disclosure and using certain methods of claims drafting (*e.g.* means plus function claiming) to incorporate some technology into the claims.

Additionally, *Alice* does not foreclose the numerous other methods for protecting software related inventions:

- confidentiality and non-disclosure agreements
- trade secret law
- copyright
- tort claims
- business conspiracy claims against competitors

Looking at the bright side, the overall effect of *Alice* limits the number of vague and overbroad valid software patents—which are often the weapon of choice for patent trolls.

As for the retroactive effect of *Alice* and that of future Supreme Court decisions, judge-made law is par for the course in common law systems.

Fortunately, many attorneys in both civil and common law jurisdictions are trained and equipped to mitigate any deleterious effects of such decisions.

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