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Patent Law - System Claim Patent-Eligibility after *Accenture Global Services, GmbH v. Guidewire Software, Inc.*

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PATENT LAW—SYSTEM CLAIM PATENT-
ELIGIBILITY AFTER *ACCENTURE*
GLOBAL SERVICES, GMBH v.
GUIDEWIRE SOFTWARE, INC.

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SECTION 101 of the Patent Act provides a simple framework for determining patent eligibility,¹ but following the Federal Circuit’s decision in *Accenture Global Services, GmbH v. Guidewire Software, Inc.*, patent eligibility has become virtually unattainable for system claims, the primary claim components of most software and telecommunication patents.² The Federal Circuit is internally split on the proper interpretation and application of the abstract idea exception to system claims.³ This Note argues that the court’s decision in *Accenture* overly broadens this previously supposed narrow exception by adopting the tenuous analytical framework proposed by the plurality opinion in *CLS Bank International v. Alice Corp.*⁴

The *Accenture* court first created a new procedural approach that links system claims to patent-ineligible method claims, summarily rendering the system claims patent-ineligible unless the court found a “substantial limitation” separating the claims.⁵ The court then, in its substantive analysis of the system claims apart from the method claims, held that a substantial limitation did not exist despite the system claim requiring a specific combination of computer components programmed with specific associated software limitations.⁶ These two actions improperly solidify the precedential value of a highly- divided plurality opinion and substantially heighten the requirements for the preliminary inquiry of patent eligibility.

Accenture Global Service GmbH and Accenture LLP (collectively, Accenture) and Guidewire Software Inc. (Guidewire) are competitors in

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1. See 35 U.S.C. § 101 (2006).

2. See *Accenture Global Servs., GmbH v. Guidewire Software, Inc. (Accenture II)*, 728 F.3d 1336, 1347–48 (Fed. Cir. 2013) (Rader, C.J., dissenting).

3. Compare *id.* at 1341–42 (majority opinion), with *CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269, 1291–92 (Fed. Cir. 2013) (en banc).

4. See *Accenture II*, 728 F.3d at 1341–42.

5. *Id.* at 1342, 1346.

6. *Id.* at 1347–48 (Rader, C.J., dissenting).

the consulting and technology services industry.⁷ Each company designs information processing tools for the insurance industry.⁸ U.S. Patent 7,013,284 (the '284 patent) was filed as U.S. Patent Application No. 09/305,331; Accenture was the named assignee.⁹ On December 18, 2007, Accenture brought an infringement claim against Guidewire based upon the '284 patent, and Guidewire asserted the affirmative defense that the patent was invalid under 35 U.S.C. § 101 for claiming non-patent-eligible subject matter.¹⁰

The '284 patent provides "[a] computer program . . . for developing component based software capable of handling insurance-related tasks."¹¹ The patent included twenty-two claims, of which two were at issue: system claim 1¹² and method claim 8.¹³ The remaining system

7. *Accenture Global Servs. GmbH v. Guidewire Software Inc. (Accenture I)*, 691 F. Supp. 2d 577, 580 (D. Del. 2010).

8. *Id.*

9. *Id.*

10. *Id.* at 579.

11. U.S. Patent No. 7,013,284 (filed May 4, 1999). "The program includes a data component, a client component, and a controller component. The client component is responsible for allowing users to edit tasks, add new tasks, and 'achieve an insurance-related goal upon completion,' as well as to generate a historical record of completed tasks." *Accenture I*, 691 F. Supp. 2d at 580.

12. Claim 1 stated,

A system for generating tasks to be performed in an insurance organization, the system comprising: an insurance transaction database for storing information related to an insurance transaction, the insurance transaction database comprising a claim folder containing the information related to the insurance transaction decomposed into a plurality of levels from the group comprising a policy level, a claim level, a participant level and a line level, wherein the plurality of levels reflects a policy, the information related to the insurance transaction, claimants and an insured person in a structured format; a task library database for storing rules for determining tasks to be completed upon an occurrence of an event; a client component in communication with the insurance transaction database configured for providing information relating to the insurance transaction, said client component enabling access by an assigned claim handler to a plurality of tasks that achieve an insurance related goal upon completion; and a server component in communication with the client component, the transaction database and the task library database, the server component including an event processor, a task engine and a task assistant; wherein the event processor is triggered by application events associated with a change in the information, and sends an event trigger to the task engine; wherein in response to the event trigger, the task engine identifies rules in the task library database associated with the event and applies the information to the identified rules to determine the tasks to be completed, and populates on a task assistant the determined tasks to be completed, wherein the task assistant transmits the determined tasks to the client component.

Accenture I, 691 F. Supp. 2d at 580–81 (emphasis added).

13. Claim 8 stated,

An automated method for generating tasks to be performed in an insurance organization, the method comprising: transmitting information related to an insurance transaction; determining characteristics of the information related to the insurance transaction; applying the characteristics of the information related to the insurance transaction to rules to determine a task to be completed, wherein an event processor interacts with an insurance transaction database containing information related to an insurance transaction decomposed into a plurality of levels from the group comprising a policy level, a

claims 2–7 and method claims 9–22 were respectively dependent upon claims 1 and 8.¹⁴ Guidewire moved for summary judgment, arguing that the ‘284 patent was drawn to patent-ineligible abstract ideas.¹⁵ The district court granted the motion and held that method claim 8 was patent-ineligible because none of the claim limitations restricted it to a concrete application of the abstract idea, and that system claim 1 so closely mirrored the language of claim 8 that it also was patent-ineligible.¹⁶ Accenture appealed the summary judgment as to system claims 1–7 but not method claims 8–22.¹⁷

The Federal Circuit affirmed.¹⁸ In particular, it held that the express inclusion of certain software components (an insurance claim folder, a task library database, a server component, and a task engine) in the system claim, implicitly tied to a computer hardware configuration (containing a CPU, ROM, RAM, I/O Adapter, Communication Adapter, Display Adapter, and a User Interface Adapter), did little to distinguish the system claim from the method claim.¹⁹

The underlying policy of patent law is the advancement of scientific and technological innovation.²⁰ The Constitution vests in Congress the power to “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.”²¹ Executing this power, Congress passed 35 U.S.C. § 101: “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.”²²

Section 101 provides four broadly stated, independent categories of patent-eligible subject matter: processes, machines, manufactures, and compositions of matter.²³ Congress intended courts to liberally and permissively construe these four categories to encourage ingenuity and pro-

claim level, a participant level and a line level, wherein the plurality of levels reflects a policy, the information related to the insurance transaction, claimants and an insured person in a structured format; transmitting the determined task to a task assistant accessible by an assigned claim handler, wherein said client component displays the determined task; allowing an authorized user to edit and perform the determined task and to update the information related to the insurance transaction in accordance with the determined task; storing the updated information related to the insurance transaction; and generating a historical record of the completed task.

Id. at 581.

14. *Accenture II*, 728 F.3d 1336, 1340 (Fed. Cir. 2013).

15. *Id.*

16. *Id.*

17. *Id.*

18. *Id.* at 1342.

19. *Id.* at 1342–44.

20. *See* U.S. CONST. art. I, § 8, cl. 8.

21. *Id.*

22. 35 U.S.C. § 101 (2006).

23. *Id.*; *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010).

mote progress.²⁴ Additionally, a § 101 inquiry is simply a preliminary threshold to the overall question of patentability;²⁵ it addresses only patent eligibility and not the remaining, underlying requirements.²⁶ Thus, as a first hurdle in the race to patentability, patent eligibility should be a relatively low bar.

Within the scope of a process patent infringement claim are method claims and system claims.²⁷ Method claims describe the steps of performing the invention,²⁸ and system claims describe the implementation of an apparatus or computer as an information-processing system.²⁹ Generally, the key differentiation between similar system and method claims is this implementation of technology. The method claim lists the steps, while the system claim implements a computer to process or perform the steps. Because system claims and method claims fit within the § 101 process category, they enjoy a presumption of patent eligibility.³⁰

There exist, however, three common law exceptions to the broad scope of § 101: “laws of nature, physical phenomena, and abstract ideas.”³¹ Although not explicitly stated in the statute, these judicially created exceptions date back over 150 years and carry significant weight under *stare decisis*.³² These exceptions are designed to prevent the full preemption of an abstract idea or the monopolization of a law of nature.³³ Yet though these exceptions are well-established and at least mostly agreed upon, “no one understands what makes an idea abstract.”³⁴ There is strong disagreement among jurists, which has resulted in the repeated formulation, endorsement, rejection, and abandonment of approaches trying to explain what makes an idea abstract.

The approach proposed in *CLS Bank International v. Alice Corp.* threatens patent eligibility for numerous technology, software, and telecommunication patents that previously would have passed muster. The *Accenture* court’s adoption of the *CLS* approach solidified two key principles: (1) for the purposes of patent eligibility, system claims and method claims that closely track one another, rise and fall together unless differ-

24. See *Bilski*, 130 S. Ct. at 3225; *CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269, 1276 (Fed. Cir. 2013) (en banc).

25. See, e.g., *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303–04 (2012); *Bilski*, 130 S. Ct. at 3225 (“The § 101 patent-eligibility inquiry is only a threshold test.”).

26. See, e.g., 35 U.S.C. § 102 (requiring novelty); § 103 (requiring non-obvious subject matter); § 112 (requiring written description of invention).

27. See Robert C. Kain, *Business Method Patents—Defining Your Viewpoints and Your Rights*, 80 FLA. B. J. 40, 41, (2006).

28. *Id.*

29. *Id.* at 42.

30. 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2243 (2011).

31. *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)).

32. See *Le Roy v. Tatham*, 55 U.S. 156, 174–75 (1852).

33. *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289, 1301 (2012).

34. *Accenture II*, 728 F.3d 1336, 1348 (Fed. Cir. 2013) (Rader, C.J., dissenting) (quoting *CLS Bank Int’l v. Alice Corp.*, 685 F.3d 1341, 1349 (Fed. Cir. 2012), *vacated*, 484 F. App’x 559 (Fed. Cir. 2012) (en banc)).

entiated by some substantial or meaningful limitation; and (2) the implementation of a computer component, despite it having specific associated software limitations, does not constitute a substantial or meaningful limitation.³⁵

This first principle creates a de facto presumption of patent ineligibility for system claims that are similar to patent-ineligible method claims. Where the abstract idea exception renders a method claim patent-ineligible, a similar system claim must offer a meaningful limitation to the abstract method claim, or it is also rendered patent-ineligible.³⁶ Supposedly, patent claims receive a statutory presumption of validity.³⁷ But the result of the *Accenture* court's procedural linking of a system claim to a patent-ineligible method claim is that a system claim must first overcome its connection to the failed method claim before it can demonstrate its presumed patent eligibility as a stand-alone claim.³⁸ This procedure creates a precedent presumption of patent ineligibility.

What is more troubling is that this first principle of linking system claims to similar method claims is applicable even when the abstract method claims are not up for review.³⁹ In his *Accenture* dissent, Chief Judge Rader pointed out several flaws with adopting this procedural approach: (1) *CLS* was a plurality opinion and held no precedential value; (2) the *CLS* court was particularly divided on the aspect of linking system and method claims; and (3) the approach fosters an unsound policy of requiring litigants to appeal the invalidity of non-at-issue method claims to defend at-issue system claims rather than efficiently narrowing the issues on appeal.⁴⁰

The second principle takes a strong stance against the implementation of a computer component as a substantial or meaningful limitation. A familiar position of the Federal Circuit is that simply implementing an abstract concept on a computer is not a sufficient limitation.⁴¹ But from this *CLS* derived the rule that any particular technological environment, when deconstructed, resembles a general computer that provides an insufficient limitation, even if tied to specific associated software limita-

35. *Id.* at 1341, 1342, 1344. Substantive or meaningful limitations must sufficiently “narrow, confine, or otherwise tie down the claim so that, in practical terms it does not cover the full abstract idea itself.” *Id.* at 1341.

36. *Id.* at 1342; *CLS Bank Int'l v. Alice Corp.*, 717 F.3d 1269, 1276, 1291 n.4 (Fed. Cir. 2013) (en banc).

37. 35 U.S.C. § 282 (2006); *Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2243 (2011).

38. *See Accenture II*, 728 F.3d at 1342.

39. *Id.*

40. *Id.* at 1346–47 (Rader, C.J., dissenting).

41. *See Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Can. (U.S.)*, 687 F.3d 1266, 1277 (Fed. Cir. 2012) (“[T]he use of a computer in an otherwise patent-ineligible process for no more than its most basic function—making calculations or computations—fails to circumvent the prohibition against patenting abstract ideas and mental processes.”); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (“Simply adding a ‘computer aided’ limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible.”).

tions.⁴² This does not align with the holding in *Bilski*, where the Supreme Court recognized that while the machine-or-transformation test⁴³ is not the sole test for deciding patent-eligibility, it is a useful and important tool for assessing that the claim is directed to patent-eligible subject matter.⁴⁴ Further, the *Accenture* court's application of this new approach flies in the face of a long-standing principle that "programming creates a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software."⁴⁵

Taken alone, each of these principles are obstructive to patent-eligibility, but taken together they function as a very real threat to almost all software, technology, and telecommunication patents.⁴⁶ While linking system claims to patent-ineligible method claims is not best practice, it is not the end to all system claims. Even the *CLS* plurality allowed that a linked system claim that incorporated "sufficient additional limitations, computer-based or otherwise" would not fail under § 101;⁴⁷ however, this assumes that the court is willing to recognize computer-based limitations.

In general, these computer-based limitations are the key differentiator between system claims and related method claims. If courts begin to characterize the incorporation of a technological environment as the mere implementation of general computer, and then begin to view the programming of a "general computer" with specific software as simply the implementation of an abstract concept on a computer, it becomes almost impossible for a system claim to differentiate itself from a method claim. Applying both principles, the similar system claim and method claim would be linked, and the system claim would have no real means of meaningfully or substantially limiting the underlying abstract idea of the method claim. Thus, once the court found a method claim patent-ineligible, it would be all but impossible for the system claim to not fail.

It is unclear whether *Accenture* opens the door for a combined application of the principles. This is mainly because of the case's unique procedural posture.⁴⁸ In dicta, the court stated that, were the method claims up

42. See *CLS Bank Int'l v. Alice Corp.*, 717 F.3d 1269, 1291–92 (Fed. Cir. 2013) (en banc).

43. "The machine-or-transformation test is a two-branched inquiry; an applicant may show that a process claim satisfies § 101 either by showing that his claim is tied to a particular machine, or by showing that his claim transforms an article." *In re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008) (en banc), *aff'd on other grounds sub nom. Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

44. *Bilski*, 130 S. Ct. at 3227.

45. *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc). In fact, this point was also heavily contested in *CLS*, with Chief Judge Rader and Judges Linn, Moore, and O'Malley dissenting. *CLS Bank*, 717 F.3d at 1292, 1305–06 (Rader, C.J., dissenting).

46. See *CLS Bank*, 717 F.3d at 1313 (Moore, J., dissenting) ("[T]his case is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunications patents.").

47. *Id.* at 1291 n.4 (plurality opinion).

48. See *id.* at 1341–42.

for review, it was clear that they were patent-ineligible and would lead to the same result;⁴⁹ however it is unclear whether the court would have evaluated the method claims combining the two principles from *CLS*. What is clear is that in both *CLS* and *Accenture*, the court linked system claims to method claims, and stripped away the system claims' technological environment until all that the court was left with was a general computer unmodified by software; computer-based limitations were disregarded.⁵⁰

There is complete disagreement about what constitutes an abstract idea. The Federal Circuit “spend[s] page after page revisiting [its] cases and those of the Supreme Court, and still [it] continue[s] to disagree vigorously over what is or is not patentable subject matter.”⁵¹ The court has overindulged in its crafting of an overly complex judicial standard, which, in reality, has become “a standard without rules,” that abandons § 101's basic principles of simplicity and inclusivity.⁵²

Though perhaps an over-simplification, the solution to this jurisprudential quagmire seems to be Chief Judge Rader's suggestion: “consult the statute!”⁵³ The current *CLS* approach adopted in *Accenture* improperly broadens the narrow abstract-idea exception, potentially excluding numerous software and telecommunication patents. The underlying legislative intent behind § 101 was to be inclusive, not prohibitive.⁵⁴ And as an inquiry into patent-eligibility rather than overall patentability, § 101 acts as a preliminary threshold.⁵⁵ A plain text reading of the statute supports the patent-eligibility of “any” new process;⁵⁶ the court should construe it as such.

49. *Id.* at 1342.

50. *See id.* at 1341, 1345.

51. *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1259. (Fed. Cir. 2012).

52. *Accenture II*, 728 F.3d 1336, 1348 (Fed. Cir. 2013) (Rader, C.J., dissenting).

53. *Id.* at 1348 (quoting *CLS Bank*, 717 F.3d at 1335 (additional reflections of Rader, C.J.)).

54. *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010).

55. *Id.*

56. 35 U.S.C. § 101 (2006).

