



ARE Patent Law Alert: Supreme Court Finds Alice[™]s Computer Implemented Claims To Be Patent-Ineligible Under 35 U.S.C. Â§ 101 As An Abstract Idea

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On June 19, 2014, the U.S. Supreme Court unanimously found that the claims of a computer-implemented invention drawn to an abstract idea are not patent-eligible under 35 U.S.C. § 101. *Alice Corporation Pty. Ltd. v. CLS Bank Int'l, et al.*, No. 13-298, 573 U.S. ____ (June 19, 2014).

Previously, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") heard this case *en banc* and issued six separate opinions with no clear majority rationale as to the patent-eligibility of the claims under section 101. *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013) (en banc). While a majority of the Federal Circuit affirmed the lower court's holding that the method and system claims at issue were not patent-eligible subject matter, there was no clear majority to support the rationale for such a decision.

This lack of decisive authority has caused confusion over patent-eligible subject matter ever since.

Patentee Alice Corporation filed a petition for a writ of certiorari, which the Supreme Court granted.

The Supreme Court Decision

In a unanimous decision penned by Justice Thomas, the Supreme Court found the particular computer-implemented claims at issue to be invalid under section 101 as they were merely drawn to a patent-ineligible abstract idea. The Court found that the introduction of a computer into the claims did not alter the abstract nature of the claims.

The Court presented a restatement of the current Supreme Court jurisprudence on patent-eligibility, where it did not invalidate all computer implemented inventions, but did reject the notion that merely including a computer in a claim made it patent-eligible. As the Court summarized from its previous opinions on patent-eligibility, "[t]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent eligible invention. *Alice*, slip op. at 13.



The Court began by describing the patent-eligibility analysis under section 101 as distinguishing between claims that seek to preempt fundamental principles, such as “laws of nature, natural phenomena, and abstract ideas” (which are not patent-eligible), from claims that are “patent-eligible applications of those concepts.” *Id.* at 7. In addressing this query, the Court adopted the two-step approach set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. ___ (2012) as follows:

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. *Id.*, at ___ (slip op., at 8). If so, we then ask, “[w]hat else is there in the claims before us?” *Id.*, at ___ (slip op., at 9). To answer that question, we consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. *Id.*, at ___ (slip op., at 10, 9). We have described step two of this analysis as a search for an “‘inventive concept’”—*i.e.*, an element or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Id.*, at ___ (slip op., at 3). *Alice*, slip op. at 7.

One of the significant criticisms of the *Mayo* decision was concern that it violated prior Supreme Court precedent that a claim must be “considered as a whole” and not be dissected. *Cf. Diamond v. Diehr*, 450 U.S. 175, 188 (1981); *Parker v. Flook*, 437 U.S. 584, 594 (1978). The Court in *Alice* sought to reconcile this concern by noting that “[b]ecause th[is] approach . . . considers all claim elements, both individually and in combination, it is consistent with the general rule that patent claims ‘must be considered as a whole.’” *Alice*, slip op. at 7 n.3 (citations omitted).

Applying these principles to the case at hand, the Court, in the first step of the *Mayo* analysis, recognized that “[o]n their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk.” *Id.* at 9. The Court found that “the concept of intermediated settlement is ‘a fundamental economic practice long prevalent in our system of commerce,’” and that “[t]he use of a third-party intermediary (or ‘clearing house’) is also a building block of the modern economy. Thus, intermediated settlement, like hedging, is an ‘abstract idea’ beyond the scope of § 101.” *Id.* (citations omitted).

In applying the second step of the *Mayo* analysis, the Court found that the mere addition of a computer was not “enough” to transform the claim from preempting an abstract idea into a practical application of that idea. The Court distinguished *Diehr*, which it noted “improved an existing technological process” rather than merely using computer limitations to limit the use of the idea to a particular technological environment as was the case in *Flook*. *See Id.* at 12-13.

The Court explained that, “the system [and product] claims are no different from the method claims in substance. The method claims recite the abstract idea implemented on a



generic computer; the system claims recite a handful of generic computer components configured to implement the same idea.” *Id.* at 16.

In a concurring opinion, Justice Sotomayor, with whom Justice Ginsburg and Justice Breyer joined, adopted the broader approach towards business-method patents from Justice Stevens’ concurrence in judgment in *Bilski*, reasoning “that any ‘claim that merely describes a method of doing business does not qualify as a ‘process’ under § 101.” *Id.* at 1 (Sotomayor, J., concurring) (citing *Bilski v. Kappos*, 561 U. S. 593, 614 (2010) (Stevens, J., concurring in judgment)). This view was not adopted by the majority.

The Significance

In *Alice*, the Court recognized that the mere addition of a computer to a claim directed to an abstract idea is not enough to make the claim patent-ineligible. Significantly, the Court did not adopt a view that a computer-implemented invention is *per se* not patent eligible. Thus, the Court has not invalidated all computer implemented claims, but instead has rephrased the focus to whether the claim preempts an abstract idea or merely claims a practical application of such. In performing such an analysis, merely including a computer in a claimed system or process may prove insufficient by itself to establish something more than an abstract idea. It will continue to be important to make sure that all claims, whether in the form of a system, product, or a method claim, include meaningful limitations to any abstract ideas that may be encompassed by the claims.

We will continue to follow this development.

In the meantime, please feel free to [contact](#) our attorneys regarding issues raised by this case.

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