

INTELLECTUAL PROPERTY  
INTELLECTUAL PROPERTY LITIGATIONJUNE  
2014

## A L E R T

SUPREME COURT PROVIDES GUIDANCE ON  
THE SUBJECT MATTER ELIGIBILITY OF  
COMPUTER-IMPLEMENTED INVENTIONS*Andrew Chou, Ronald J. Ventola II, and Michael M. Carlson*

On June 19, 2014, the Supreme Court invalidated claims directed to methods and computer systems for using an intermediary to reduce the settlement risk in certain financial transactions. The claims were invalidated on the ground that they were drawn to an abstract idea that was not patentable subject matter and that could not be made patentable by implementing it via a computer system. This decision, which provides a new guidepost in the murky jurisprudence of patentable subject matter, will aid those seeking to invalidate patents directed to computer-implemented methods, including computer-implemented business methods.

Patentable subject matter is broadly defined in 35 U.S.C. §101 as “any new and useful process, machine, manufacture, or composition of matter.” But the Supreme Court has long limited §101, interpreting the provision to implicitly exclude “[l]aws of nature, natural phenomena, and abstract ideas.” These exclusions reflect the principle that the basic tools of science and technology should not be monopolized. All inventions, however, to some extent involve a law of nature, natural phenomenon, or an abstract idea. As a result, drawing the line between abstract ideas and patentable subject matter, particularly in light of technological advances, has been the source of much confusion and debate, within the courts and beyond.

In *Alice Corporation Pty. Ltd. v. CLS Bank International et al.*, 573 U.S. \_\_\_\_ (2014), Alice’s patents at issue were directed to claims for using a computer as an intermediary to reduce settlement risk in financial transactions. In the underlying decision, the Federal Circuit had issued a fractured *en banc* opinion affirming the district court’s ruling that Alice’s claims were ineligible because they were directed to the abstract idea of “intermediated settlement” or escrow. Alice challenged the Federal Circuit’s decision, arguing that “intermediated settlement” is not a fundamental truth within the scope of the “abstract idea” exception. Alice further argued that even if the claims recited an abstract

idea, they all require the use of a computer and thereby cover patent-eligible subject matter.

Justice Thomas delivered the unanimous decision, in which the Court rejected both arguments. The Court first reaffirmed the analytical framework for applying a §101 exception that it articulated in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. \_\_\_\_ (2012). Applying that framework, the Court first held that the concept of “intermediated settlement” is a fundamental economic concept, and thus an abstract idea not eligible for patenting under §101. The Court rejected limiting the “abstract idea” exception only to preexisting, fundamental truths, such as mathematical formulas, that exist apart from human interaction. According to the Court, such a narrow construction would contravene the established rule that “[a]n idea of itself is not patentable.” The Court cited, in particular, its prior decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), which concluded that “risk hedging”—a concept reliant on human interaction—was an abstract idea. The Court declined to delimit the precise scope of the exception, but was content to reaffirm the holding that a “fundamental economic practice,” such as hedging or using an intermediary to settle financial transactions, is an abstract idea.

Next, the Court held that merely requiring claims drawn to an abstract idea to be implemented on a generic computer in a generic fashion does not, by itself, “transform” that idea into a patent-eligible invention. The Court explained that a claim reciting an abstract idea must include something more—an “inventive concept”—sufficient to “transform” the idea into an inventive application of the concept. This requirement ensures that a claim “is more than a drafting effort designed to monopolize” the abstract idea. Accordingly, given the “ubiquity of computers,” the Court concluded that mere “generic” computer implementation cannot supply the inventive concept required to transform a patent

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claim drawn to an abstract idea into a patent-eligible claim.

The Court further rejected the notion that a claim directed to an abstract idea could be rendered patentable by reciting implementation of the idea on a generic computer system, or by directing the claim to a computer-readable medium for causing a computer to implement the abstract idea. Reiterating the concern against elevating a patent's form over its substance, the Court concluded that merely reciting generic computer components, common to most computers and configured to perform conventional functions, imparts no meaningful limitation to substantively distinguish that claim.

Although the Court invalidated the claims at issue, the Court did not categorically ban computer-implemented inventions. On the contrary, the Court reaffirmed that a claim to a computer-implemented invention may be patentable, provided the claim does not merely instruct the practitioner to implement an abstract idea on a generic computer system.

For those who find themselves accused of infringing patents directed to computer systems or computer-implemented methods, this decision clarifies that the presence of a computer system in a claim does not immunize the claim from invalidation on the grounds that the claim is directed to an unpatentable abstract concept. Thus *Alice* decides an important and much-debated issue in favor of accused infringers. *Alice* does not invalidate all patents directed to computer-implemented inventions or business methods, but it must count as good news for accused infringers in many disputes involving computer-related inventions. ♦

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