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Abstract Ideas Require Something More than Implementation on Generic Computer to be Patent Eligible

On June 19, 2014, the U.S. Supreme Court issued its long-awaited decision on patent eligible subject matter in *Alice Corp. Pty Ltd. v. CLS Bank Int'l*, U.S., No. 13-298, 6/19/14. In a unanimous decision, the Court held that claims directed to implementations of the abstract idea of intermediated settlements of financial transactions on a generic computer, without more, are not patent eligible. In a concurring opinion, three justices noted that they would go further to hold that all patents directed to business methods are not patent eligible.

By way of background, the Patent Statute (35 U.S.C. § 101) broadly identifies new and useful processes, machines, methods of manufacture and compositions of matter as being subject matter that is eligible for patent protection. The patents at issue had method claims, system claims and claims directed to a computer-readable media (i.e., software on a storage device) for “mitigating ‘settlement risk’ (i.e., the risk that only one party to a financial transaction will pay what it owes) by using a third-party intermediary.” (Slip op. at 1). The claims were limited to implementations on a general purpose computer. *Id.* However, the idea of intermediated settlements was well known in the prior art. (Slip op. at 9).

The Court began its analysis by emphasizing that there has been a “long held” judicial exception to Section 101 that laws of nature, natural phenomena and abstract ideas

are not patent eligible. (Slip op. at 5). As a policy matter, the “concern that drives this exclusionary principle is pre-emption,” i.e., allowing patents that would effectively grant monopolies over abstract ideas would impede innovation more than promote it. *Id.*

However, the Court was careful to note that a patent claim is not invalid under Section 101 simply because it involves an abstract idea, since otherwise this “exclusionary principle [would] swallow all of patent law.” (Slip op. at 6). Patent claims that add “something more” to the fundamental exclusions are the “building blocks of human ingenuity” and are therefore patent eligible *Id.* In this regard, the Court presented a general framework to distinguish patent-ineligible claims that cover abstract ideas from those that claim patent eligible applications of those abstract ideas, as follows: (1) first, one must determine whether the claims at issue are directed to one of the patent ineligible concepts; and (2) if so, one must consider whether the claims add significantly more. (Slip op. at 7).

The Court compared the idea of intermediated settlement to the idea of hedging against the risk of price fluctuations, which was found not to be patent eligible in *Bilski v. Kappos*, 561 U.S. 593 (2010). (Slip op. at 8). The Court found that “there is no meaningful distinction between the concept of risk hedging in

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Bilski and the concept of intermediated settlement at issue here.” (Slip op. at 10). Both are abstract ideas in that they are well-known fundamental economic practices. As such, the Court refused to further “delimit the precise contours of the ‘abstract idea’ category....” *Id.*

After finding the idea of intermediated settlement to be abstract, the Court next considered whether there was something more to the claims that would transform that abstract idea into a patent-eligible invention. Here, the Court found that “introduction of a computer into the claims does not alter the analysis....” (Slip op. at 11). These features are “well known in the art” and, therefore the “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent eligible invention.” (Slip op. at 13). The Court found that “[v]iewed as a whole, petitioner’s method claims simply recite the concept of intermediate settlement as performed by a generic computer.” (Slip op. at 15) As such, they were not patent eligible. The claims to a computer system and computer readable medium were held to be patent ineligible for the same reasons. (Slip op. at 16-17).

While the Court did not try to delineate the contours of what is and what is not an abstract idea, there are some important take away points. First, a generic computer implementation of an otherwise abstract idea is not patent eligible. Second, an invention is less likely to be patent eligible if it claims a general concept so broadly that it would pre-empt others from using that concept; and more likely patent eligible when the claims are directed to a specific implementation of a concept. Third, it may be helpful to explain in the patent what claimed aspects of an overall idea were not known in the prior art.

We expect that this decision will broadly impact on current prosecution, analysis and litigation matters, particularly in the area of business method patents. We would be pleased to answer any specific questions you may have as to the impact of this decision.

This publication is a summary of legal principles. Nothing in this article constitutes legal advice, which can only be obtained as a result of a personal consultation with an attorney. The information published here is believed accurate at the time of publication, but is subject to change and does not purport to be a complete statement of all relevant issues.