

U.S. Supreme Court Rules on the Patentability of Software Patents

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The U.S. Supreme Court issued its decision yesterday in *Alice Corp. Pty Ltd. v. CLS Bank Int'l, et al.*,[\[i\]](#) holding that an otherwise unpatentably abstract idea does not become patentable simply by implementing it on a generic computer.

Petitioner Alice Corporation is the assignee of patents directed to a computerized way of mitigating settlement risk—*i.e.*, the risk that only one party to an agreed-upon financial exchange will satisfy its obligation. In 2007, Respondent CLS Bank filed suit against Alice seeking a declaratory judgment that the claims at issue are invalid, unenforceable, or not infringed. Alice counterclaimed alleging infringement. Following the U.S. Supreme Court's decision in *Bilski v. Kappos*[\[iii\]](#), the district court held that the claims are invalid under 35 U.S.C. § 101 because they are directed to the abstract idea of "employing a neutral intermediary to facilitate simultaneous exchange of obligation in order to minimize risk."

[\[iii\]](#) After a divided panel of the United States Court of Appeals for the Federal Circuit reversed, holding that it is not "manifestly evident" that Alice's claims are directed to an abstract idea[\[iv\]](#), the Federal Circuit granted rehearing *en banc*.[\[v\]](#) The *en banc* Federal Circuit vacated the panel opinion and affirmed the judgment of the District Court in a one-paragraph *per curiam* opinion.[\[vi\]](#) The Supreme Court granted certiorari in 2013 and heard oral arguments in March 2014.

The question presented to the U.S. Supreme Court was "whether [the] claims are patent-eligible under 35 U.S.C. § 101, or are instead drawn to a patent-ineligible abstract idea."

[\[vii\]](#)

Justice Thomas, writing for a unanimous Supreme Court, held that Alice's patent claims are invalid under Section 101 of the Patent Act because they are drawn to a patent-ineligible abstract idea. In explaining prior precedent, Justice Thomas noted that:

We have repeatedly emphasized this concern that patent law not inhibit further discovery by improperly tying up the future use of these building blocks of human ingenuity.

At the same time, we tread carefully in construing this exclusionary principle lest it swallow all of patent law. At some level, all inventions embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas. Thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept.[\[viii\]](#)

Central to its holding, the Supreme Court reaffirmed its analysis from *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*[\[ix\]](#) Under that framework, analyzing whether a claim is patentable under § 101 requires two steps:

1. Determining whether the claims are directed to a patent-ineligible concept; and
2. If the claims are directed to a patent-ineligible concept, then determining whether there is "an element or combination of elements in the claim that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself."[\[x\]](#)

Applying this framework to the facts of the case, the Court found that the claims at issue are directed to "a fundamental economic practice long prevalent in our system of commerce" and are therefore abstract.[\[xi\]](#)

Regarding the second step of the analysis, the Supreme Court held that "[t]he introduction of a computer into the claims does not alter the analysis..."[\[xii\]](#) Referring back to Supreme Court precedent, Justice Thomas noted that patent claims have been held patentable when "they improved an existing technological process, not because they were implemented on a computer."[\[xiii\]](#) Moreover, he noted that

the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention. Stating an abstract idea while adding the words "apply it" is not enough for patent eligibility. Nor is limiting the use of an abstract idea to a particular technological environment. Stating an abstract idea while adding the words "apply it with a computer" simply combines those two steps, with the same deficient result. Thus, if a patent's recitation of a computer amounts to a mere instruction to implement an abstract idea "on . . . a computer," that addition cannot impart patent eligibility. This conclusion accords with the preemption concern that undergirds our §101 jurisprudence.^[xiv]

Applying this rationale, the Court found that the claims at issue recited computer steps that are "purely conventional" and a "basic function[] of a computer."^[xv] The Supreme Court therefore affirmed the Federal Circuit and held the claims were ineligible under § 101.

^[i] 573 U.S. __ (2014).

^[ii] 561 U. S. 593 (2010).

^[iii] 768 F.Supp.2d 221, 252 (D.D.C. 2011).

^[iv] 685 F.3d 1341 (Fed. Cir. 2012).

^[v] 717 F.3d 1269 (Fed. Cir. 2013).

^[vi] *Id.* at 1273.

^[vii] 573 U.S. at 1.

^[viii] *Id.* at 6 (internal quotations and citations omitted).

^[ix] 132 S. Ct. 1289 (2012).

^[x] 573 U.S. at 7 (internal quotation omitted).

^[xi] *Id.* at 9.

^[xii] *Id.* at 11.

^[xiii] *Id.* at 13.

[\[xiv\]](#) *Id.* (internal quotations and citations omitted).

[\[xv\]](#) *Id.* at 12.

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