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# Unanimous U.S. Supreme Court Decides Closely-Watched Case on Patent Eligibility of Computer-Implemented Business Methods

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In a unanimous decision authored by Justice Thomas, the Supreme Court today affirmed the Federal Circuit's en banc decision invalidating the patents asserted by Alice Corporation against CLS Bank International as ineligible for patent protection under 35 U.S.C. §101 because they are directed to an abstract idea. See *Alice Corporation Pty. Ltd. v. CLS Bank International et al.* (U.S. June 19, 2014). The decision helps define the boundary between patent-eligible and patent-ineligible subject matter, in an area of law that has become increasingly fractured, as evidenced by the Federal Circuit's *en banc* decision, which consisted of seven separate opinions advancing a medley of different positions regarding patent eligibility.

Justice Thomas followed the analytic framework the Court previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), in which the Court set forth a two part test to distinguish patents claiming patent-ineligible laws of nature, natural phenomena, or abstract ideas, from those that claim patent-eligible applications of such concepts. At *Mayo* step one, one must determine whether the claims are directed to patent-ineligible concepts. Then, at *Mayo* step two, one must

consider the elements of each claim individually and as a combination to determine whether the claims contain any additional elements that "transform the nature of the claim" into a patent-eligible application.

In applying *Mayo* step one, the Court determined that Alice's claims were drawn to the abstract concept of intermediated settlement (*i.e.*, the use of a third party to mitigate settlement risk). Rejecting Alice's arguments that the abstract-ideas category is confined to preexisting fundamental truths that exist apart from any human action, the Court ruled that intermediated settlement has long been a fundamental practice in our system of commerce, and recognized that Alice's claims to intermediated settlement were not meaningfully distinguishable from the risk hedging claims it previously held to be abstract in *Bilski v. Kappos*, 561 U.S. 593 (2010).

The Court next considered the second step of the *Mayo* test, and held that one cannot impart patent eligibility to an abstract idea merely by claiming the implementation of the abstract idea on a computer. The Court further pointed out that if the mere recitation of a computer were the end of the inquiry, there would be no barrier to monopolization of the abstract idea itself. Turning to the specific steps recited by the Alice method claims, the court found that each step simply required the use of a generic computer to perform generic computer functions, and thus added nothing to transform the claimed abstract idea of intermediated settlement into a patent-eligible invention. The Court also provided some guidance as to what might render an otherwise abstract claim patent-eligible, suggesting that, for example, it may be "enough" if a claim purports to improve the functioning of the computer itself or effects an improvement in another technology or technical field.

The computer system and computer media claims fared no better – Alice had

already conceded that the computer media claims would rise or fall with its method claims, and the Court determined that the "specific hardware" elements recited in the claims were purely functional and generic computer components.

In a brief concurring opinion, Justice Sotomayor, joined by Justices Ginsburg and Breyer, opined that claims to business methods are ineligible *per se* for patent protection, because they do not qualify as a process under 35 U.S.C. §101.

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