

## U.S. Supreme Court Rules Abstract Idea Implemented on Generic Computer is Not Patent Eligible

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Patent claims that merely require generic computer implementation do not transform a patent-ineligible abstract idea into a patent-eligible invention, the U.S. Supreme Court ruled in *Alice Corp v. CLS Bank*, decided on Thursday, June 19.

While the Federal Circuit will have to deal with identifying what constitutes an abstract idea, the Supreme Court ruling provides clarity on the patentability of ideas simply implemented on computers. As a practical matter, companies and patent attorneys will likely have to focus their patent claims to include steps that improve the function or performance of the computer.

At issue were several patents relating to a computer-implemented scheme 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, wherein the third-party intermediary is a computer system.

Section 101 of the Patent Act defines patentable subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

In the unanimous opinion, the Court began its analysis by noting that, for more than 150 years, it has held that this provision contains an implicit exception that laws of nature, natural phenomena, and abstract ideas are not patentable.

The Court went on to hold that the use of a third party to mitigate settlement risk is “a fundamental economic practice long prevalent in our system of commerce” and thus a patent-ineligible abstract idea. The Court then concluded that “the method claims, which merely require generic computer implementation, fail to transform the abstract idea into a patent-eligible invention.”

The method claims did not improve the functioning of the computer nor effect an improvement in any other technology or technical field, the Court reasoned.

“Instead, the claims amount to nothing significantly more than an instruction to apply the abstract idea of intermediate settlement using some unspecified, generic computer,” the Court wrote. “Under our precedents, that is not ‘enough’ to transform an abstract idea into a patent-eligible invention.”

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