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### U.S. Supreme Court Ruling Impacts Business-Related Software Inventions

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The U.S. Supreme Court recently ruled on a patent case, *Alice Corp. v. CLS Bank*, regarding whether business-related software inventions are entitled to patent protection under 35 U.S.C. § 101, which defines the statutory categories of inventions entitled to patent protection.

In the *Alice* decision, the Court declined to adopt any bright line test to determine what kind of software inventions are patent-eligible, and simply ruled that the claims in the patents of *Alice Corp.* are directed to an “abstract idea” and thus are ineligible for a patent under existing case law that mere “abstract ideas” cannot be patented. The abstract idea was found to be mitigating “settlement risk” in a financial transaction, namely, the risk that only party to a transaction will perform an agreed-upon exchange. The Court did not explain what constitutes an abstract idea, stating “we need not labor to delimit the precise contours of the ‘abstract ideas’ categories in this case.” Critics have complained that this is just another ‘I know it when I see it test,’—like Justice Potter Stewart’s test for obscenity in the 1964 case, *Jacobellis v. Ohio*.

Furthermore, the Court held that implementing an abstract idea on a general purpose computer does not render the invention patent-eligible, and that the format of the claim, namely, whether it is claimed as a method, apparatus or as software, does not have any effect on the outcome, if the claim is deemed to be directed to merely an “abstract idea.”

The decision was not completely devoid of helpful guidance. The Court adopted a two-step framework from another recent patent case, *Mayo Collaborative Services v. Prometheus Laboratories*, summarized as follows:

STEP 1: Determine whether the claim is directed to an abstract idea. If so, apply the second step.

STEP 2: Determine whether any element, or combination of elements, in the claim is sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. If not, the claim is non-statutory. If so, the claim may be statutory. For example, a claim that includes “additional features” evidencing an “inventive concept” could transform an abstract idea into a patent-eligible invention.

The Court also discussed how the concept of preemption/monopolization of an abstract idea plays into the decision process. If a claim is found to include an abstract idea, but the claim does not wholly preempt the abstract idea, such as by including additional features that are not part of the abstract idea, then the claim may be statutory.

The Court also extensively focused on a finding that the abstract idea in the claims of the *Alice* patents, and in the claims of a preceding “abstract idea” case, *Bilski v. Kappos*, were directed to “a fundamental economic practice long prevalent in our system of commerce.” While not explicitly stated, the Court appears to be setting forth a standard for analysis of “abstract ideas” which looks at whether the abstract idea itself is novel, wherein lack of novelty is a strike against the claims, and novelty of the abstract idea, particularly if applied for a new and useful purpose (e.g., an improvement in a technical field), may be a factor weighing in favor of patent eligibility.

In sum, the Court did not categorically exclude business-related software inventions. Instead, the Court struggled with existing case law principles, ultimately ruling that none of the existing tests for statutory subject matter were met by the claims of the patents at issue. The USPTO and lower courts will now have to apply the latest Supreme Court proclamations on this issue to new fact patterns.