



## *The Supreme Court's Decision in CLS Gives More Clarity to Patent Eligibility*

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On June 19, 2014, the Supreme Court issued its long-awaited opinion in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*,<sup>1</sup> affirming the judgment of a divided en banc Federal Circuit finding that the asserted claims of the patent-in-suit were invalid under 35 U.S.C. §101 for failing to claim patentable subject matter.<sup>2</sup> In reaching this conclusion, the Supreme Court applied the framework set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*,<sup>3</sup> refining and heightening the eligibility standard for claims directed to a computer implementation of an abstract idea, whether claimed in the form of a method, apparatus, or system.

In *Mayo*, the Court had articulated a two-step process for determining patent eligibility under §101. First, a court must identify what abstract idea is represented in the claim<sup>4</sup> and then it must determine whether the balance of the claim “adds significantly more” such that the nature of the claim is transformed into an inventive concept.<sup>5</sup>

The *Alice Corp.* patents relate to a computerized scheme for using an intermediary to mitigate settlement risk in the context of financial exchange obligations. At issue were method claims, system claims, and claims directed to a computer-readable medium containing software for performing the claimed methods (i.e., “media” claims). Each of the claims expressly or implicitly required a computer. In applying the *Mayo* framework, the Court first confirmed that the claims at issue were directed to the abstract idea of “intermediated settlement” – which it described as “a fundamental economic practice” and a “building block of the modern economy.”<sup>6</sup> The Court then considered whether the remainder of the claims nonetheless transformed this abstract idea into a patent-eligible inventive concept, analyzing the method claims first.

In looking for any “additional features” that might supply the inventive concept beyond merely the abstract idea of “intermediated settlement,” the Court found that the claims “merely require[d] generic computer implementation.”<sup>7</sup> Looking to its prior §101 jurisprudence, including *Mayo*,<sup>8</sup> *Flook*,<sup>9</sup> and *Diehr*,<sup>10</sup> the Court concluded that if the “recitation of a computer amounts to a mere instruction to ‘implemen[t]’ an abstract idea ‘on . . . a computer,’ that addition cannot impart patent eligibility.”<sup>11</sup> The Court determined that the method claims did not “purport to improve the functioning of the computer itself” or “effect an improvement in any other technology or technical field.”<sup>12</sup> Rather, they “simply instruct[ed] the practitioner to implement the abstract idea of intermediated settlement on a generic computer,” something that is not “‘enough’ to transform an abstract idea into a patent-eligible invention.”<sup>13</sup>

As for the system and computer readable medium (media) claims, the Court held that they were patent ineligible for substantially the same reasons.<sup>14</sup> The Court rejected Alice Corp.’s argument that the system claims required “specific hardware” configured to perform “specific computerized

functions”: “What petitioner characterizes as specific hardware – a ‘data processing system’ with a ‘communications controller’ and ‘data storage unit’... is purely functional and generic.”<sup>15</sup> Reasoning that “[n]early every computer will include [this hardware],” the Court found the specific hardware recitations provided no “meaningful limitation beyond...implementation via computers.”<sup>16</sup> Thus, although couched in terms of a system, in essence, the Court found the system claims to be no different from the method claims: “The method claims recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea.”<sup>17</sup> The Court concluded its opinion by “warn[ing] against interpreting §101 in ways that make patent eligibility depend simply on the draftman’s art.”<sup>18</sup>

Although this decision does not foreclose the patenting of business methods,<sup>19</sup> it will likely have a significant impact on an applicant’s ability to obtain and maintain such patents, even if the patents also recite system and apparatus claims.

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<sup>1</sup> *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, No. 13-298, \_\_\_ U.S. \_\_\_, 2014 WL 2765283 (2014).

<sup>2</sup> 35 U.S.C. §101 provides: “Whoever invents or discovers 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.”

<sup>3</sup> *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. \_\_\_, 132 S. Ct. 1289 (2012).

<sup>4</sup> The Supreme Court has “long held that [35 U.S.C. §101] contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp.*, 2014 WL 2765283, at \*5 quoting *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. \_\_\_, \_\_\_ (2013) (slip op., at 11).

<sup>5</sup> *Mayo*, 132 S. Ct. at 1297.

<sup>6</sup> *Alice Corp.*, 2014 WL 2765283, at \*8.

<sup>7</sup> *Id.* at \*9.

<sup>8</sup> *Mayo*, 566 U.S. \_\_\_, 132 S. Ct. 1289.

<sup>9</sup> *Parker v. Flook*, 437 U.S. 584 (1978).

<sup>10</sup> *Diamond v. Diehr*, 450 U.S. 175 (1981).

<sup>11</sup> *Alice Corp.*, 2014 WL 2765283, at \*10 (internal citations omitted).

<sup>12</sup> *Id.* at \*11.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at \*12.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* (internal citations omitted).

<sup>19</sup> Notably, three justices advocated for the wholesale exclusion of business methods from patentable subject matter. (Sotomayor, J. concurring in judgment, joined by Justices Ginsburg and Breyer)