

Kratz, Quintos & Hanson, LLP – IP Newsletter

**RECENT DEVELOPMENTS REGARDING PATENTABLE SUBJECT MATTER**

By: Darren Crew

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he United States Supreme Court recently provided additional guidance as to how claims may be analyzed, to determine whether those claims set forth patentable subject matter pursuant to 35 U.S.C. §101, regarding abstract ideas. Additionally, the United States Patent and Trademark Office recently provided new instructions to patent examiners regarding such determinations.

On June 19, 2014, in *Alice Corp. Pty. Ltd. v. CLS Bank International et al.*, No. 13-298, the Supreme Court held that claims under review which recite a combination of specific steps relating to financial transactions, and which require a generic computer to perform those steps, were not eligible for patent protection because such claims were directed to an abstract idea. In particular, the Supreme Court held that all the system claims and method claims under review were directed to subject matter that was an abstract idea, even though a generic computer was required by at least some of the claims. This case is discussed below.

On June 25, 2014, the U.S. Patent and Trademark Office issued a memorandum to patent examiners regarding patentable subject matter in view of *Alice Corp. v. CLS Bank*. The memorandum is discussed below.

**Alice Corp. v. CLS Bank: Background**

Alice Corp. is the assignee of several patents at issue, including U.S. Patent No. 5,970,479, that disclose techniques and systems to manage particular forms of financial risk. Figure 1 of U.S. Patent No. 5,970,479 shows system 10 of the invention, and is included below for reference.

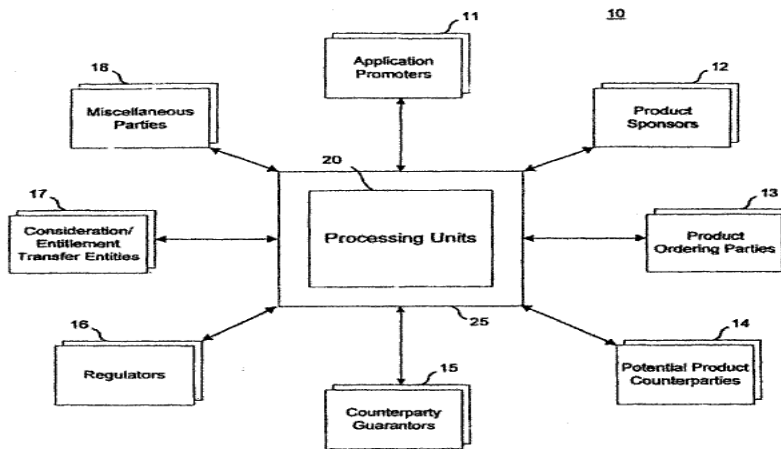


Figure 1

In 2007, CLS Bank filed suit against Alice Corp., seeking a declaratory judgment that claims at issue are invalid, unenforceable, or not infringed. Alice Corp. counterclaimed, alleging patent infringement. The District Court held that all of the claims are patent ineligible because they are directed to an abstract idea relating to financial transactions.

A divided panel of the United States Court of Appeals for the Federal Circuit (CAFC) reversed the holding of the District Court. The CAFC granted rehearing en banc, vacated the panel opinion, and affirmed the judgment of the District Court.

The Supreme Court explained details regarding a two-part test, with reference to *Mayo Collaborative Services v.*

subject matter (laws of nature, natural phenomena, and abstract ideas) from those that claim patent-eligible subject matter. The Supreme Court applied the two-part test as follows:

First, “determine whether the claims at issue are directed to a patent-ineligible concept,” that is, laws of nature, natural phenomena, or abstract ideas. In *Alice Corp. v. CLS Bank*, the Supreme Court concluded that the “claims are drawn to the abstract idea of intermediated settlement.”

Second, when it is determined that the claims at issue are indeed directed to a patent-ineligible concept, the Court indicated that it is necessary to “examine the elements of the claim to determine whether it contains an inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application.”

In particular, the Court stated that, if a claim recites an abstract idea, then that claim must also “include additional features to ensure that the claim is more than a drafting effort designed to monopolize an abstract idea.” The Court noted that “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.” The Court indicated that, in the claims at issue in *Alice Corp. v. CLS Bank*, “each step does no more than require a generic computer to perform generic computer functions.” The Court held that this “is not enough to transform an abstract idea into a patent-eligible invention.”

### **USPTO Issues New Instructions To Examiners In View Of *Alice Corp. v. CLS Bank***

On June 25, 2014, the United States Patent and Trademark Office issued a memorandum to patent examiners in order to provide additional instructions regarding the subject matter eligibility of claims that recite abstract ideas, in view of the decision of the U.S. Supreme Court in *Alice Corp. v. CLS Bank*.

The memorandum explains that, for a claim that may have an abstract idea, examiners should analyze the claim for subject matter eligibility, pursuant to 35 U.S.C. §101, using the following technique:

Part 1: The memorandum notes that examiners should “Determine whether the claim is directed to an abstract idea” and that “Examples of abstract ideas referenced in *Alice Corp.* include: Fundamental economic practices; Certain methods of organizing human activities; An idea of itself; and Mathematical relationships/formulas.” Examiners are instructed that “Claims that include abstract ideas like these should be examined under Part 2 below to determine whether the abstract idea has been applied in an eligible manner.”

Part 2: The memorandum indicates that “If an abstract idea is present in the claim, [examiners should] 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.” The memorandum notes that “Limitations referenced in *Alice Corp.* that may be enough to qualify as ‘significantly more’ **when recited in a claim with an abstract idea** include, as non-limiting or non-exclusive examples: Improvements to another technology or technical field; Improvements to the functioning of the computer itself; Meaningful limitations beyond generally linking the use of an abstract idea to a particular technological environment.”

When you have any questions regarding these issues, please feel free to contact us.

**Washington D.C. Office:**  
**4<sup>th</sup> Floor**  
**1420 K Street, N.W.**  
**Washington, DC 20005**  
**U.S.A.**  
**Tel: 202.659.2930**  
**Fax: 202.887.0357**  
[www.kqhpatentlaw.com](http://www.kqhpatentlaw.com)

**Tokyo Liaison Office:**  
**Tokyo Banker’s Club Building**  
**15<sup>th</sup> Floor**  
**1-3-1 Marunouchi, Chiyoda-ku**  
**Tokyo 100-0005 JAPAN**  
**Tel: 03.3216.7188**  
**Fax: 03.3216.7210**