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***Alice Corp. v. CLS Bank Int'l*: General Purpose Computers Cannot Save Claims Directed to Abstract Ideas**

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In the U.S. Supreme Court's decision today in *Alice Corp. v. CLS Bank International*, the Court affirmed the invalidity of Alice's patents for computer-implemented methods of reducing settlement risk. This case reached the high court after a severely split Federal Circuit could not agree whether language of the claims met the patent-eligibility requirements of 35 U.S.C. § 101.

At the heart of this case was the Federal Circuit's confusion over the impact of the Court's 2012 decision, *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* In *Mayo*, Justice Breyer set forth a two-part test for determining whether a claim is directed to a patent-ineligible "abstract idea" and, if so, whether the claim also contains enough substance to amount to "significantly more than [the ineligible concept] itself."

This test, however, resulted in muddle in the lower courts – it appeared to combine the patent-eligibility analysis of § 101 with the novelty and non-obviousness analyses of §§ 102 and 103 in a way that contradicted the Court's prohibition against doing so in *Diamond v. Diehr*. Further, *Mayo* was unclear on the extent to which physical components could be tied to an otherwise abstract claim in order to render the claim patent-eligible.

Writing for a unanimous Court, Justice Thomas found that Alice's invention was drawn to the abstract idea of "intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk." Not unlike "risk hedging" – which was the subject of the claims that the Court struck down in 2010's *Bilski v. Kappos* – Justice Thomas found that "intermediated settlement" is a "fundamental economic practice long prevalent in our system of commerce," and is therefore an "abstract idea" beyond the scope of § 101. In so finding, the Court rejected Alice's argument that abstract ideas are limited to "preexisting, fundamental truth[s]" that "exis[t] in principle apart from any human action."

Moving on to step two of the test, Justice Thomas stated that “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” In his view, adding a computer limitation to otherwise abstract claim language would be tantamount to a draftsman’s trick, despite the computer being physical and not abstract. Justice Thomas went on to find that using a “generic computer” to carry out each of Alice’s claimed steps was “purely conventional” performance of “generic computer functions.” In other words, Justice Thomas believed that “the claims at issue amount to ‘nothing significantly more’ than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer,” which “is not ‘enough’ to transform an abstract idea into a patent-eligible invention.” Thus, because the computer structure “add[ed] nothing of substance to the underlying abstract idea,” the Court invalidated all of Alice’s claims, including its method, computer-readable media, and system claims.

This case does serve to address some of the post-*Mayo* § 101 confusion. Justice Thomas used several references (though not all were strictly “prior art”) to establish that Alice’s claimed mitigation of settlement risk was known in the art. He also considered generic computer hardware and functionality to be routine and conventional, and applied both of these observations to strike down Alice’s claims. Thus, the separation of the §§ 101, 102, and 103 analyses mandated by *Diehr* appears to be a thing of the past.

On the other hand, it is still unclear to what extent a method claim needs to be tied to a physical device in order to be patent eligible. Justice Thomas did hint that some abstract ideas intended to “improve the functioning of [a] computer itself” or other technologies may pass the § 101 bar, but he did not provide any further guidance regarding this notion.

This case continues the trend of two other patent cases decided this term, *Limelight Networks, Inc. v. Akamai Technologies, Inc.* and *Nautilus, Inc. v. Biosig Instruments, Inc.*, in which the Court has placed further limits on the scope of patent protection. Consequently, we are likely to see new attacks on the validity of patents during litigation, and more emphasis on focused claim drafting during prosecution.

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The opinion can be found at http://www.supremecourt.gov/opinions/13pdf/13-298_7lh8.pdf.

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