Moritt Hock & Hamroff LLP
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STRENGTH IN PARTNERSHIP

ALERT

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WILL YOUR PATENTED SOFTWARE SURVIVE AN ABSTRACT IDEA HEARING?

On June 19, 2014, the Supreme Court ruled on the patentability of software.

Patent protection is available for new processes and systems but "abstract ideas" are not patentable. Here's the problem, what is "abstract" and how do we determine whether an invention is an "abstract idea"?

In *Alice Corporation v. CLS Bank International*, the patent at issue related to an escrow system where a third party handled the risk that a first party would not pay a second party. At that level of abstraction, the patent sounds ancient. However, the details of the specific claimed invention were much more complex. There were computers and servers and networks and databases used to implement that system. Is such a system too "abstract" to be patentable?

According to the Supreme Court – yes. In brief, the test for patentability is: 1) is there an abstract idea identified? 2) is something more added to the abstract idea (an "inventive concept")? For query 1, the Court performed a perfunctory review and concluded that the abstract concept of an "intermediated settlement" was identified. The Court looked to concepts of novelty and indicated that since use of a third party intermediary have been around for years, the claims must relate to an abstract concept. For query 2, the Court said that only a generic computer was added to the abstract concept and a generic computer is not an inventive step. Again, the Court looked at novelty concepts and said that each step was conventional and the computer implementation was similarly conventional. Therefore, the patent related to a system used to handle trillions of transactions was invalid.

In protecting intellectual property, in particular software related inventions, you likely want to make sure more hardware is disclosed. Otherwise, a general purpose computer may not potentially provide the

sufficient inventive concept to a purportedly abstract computer program. Ideally, you may want to show new hardware or how the software causes changes in the hardware. In litigation, I envision "Abstract" or "CLS" Hearings to determine what abstract concept is identified in a patent claim. As all claims can be abstracted in some way, and the abstraction will define both patent eligibility and novelty, I envision these Hearings to be more important even than the Markman (claim interpretation) hearings.

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