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Zwei Jahren nach Alice – was ist los im U.S. Patent Wunderland?

Ralph A. Dengler, Esq
Partner
D +1 (212) 503 0655
C +1 (917) 846 2327
F +1 (212) 307 5598
radengler@venable.com

Venable LLP
Rockefeller Center
1270 Avenue of the Americas,
24th Floor
New York, NY 10020
www.venable.com

James E. Nelson
Partner
SF office +1 (415) 653 3730
NY office +1 (212) 370 6242
C +1 (917) 825 8530
jnelson@venable.com

Venable LLP
505 Montgomery, Suite 1400
San Francisco, CA 94111
www.venable.com

VENABLE LLP

Under Section 101 of U.S. patent laws, a patent may be obtained for any "new and useful process, machine, manufacture, composition of matter, or a new and useful improvement" of them. These broad categories have been manifested in well over 9.5 million issued patents, spanning myriad industries and technologies. A U.S. patent gives its inventor the right to exclude others from making, using, offering to sell, or selling the patented invention in the United States, or from importing it into the United States. This right is limited to a period of twenty years from when the patent application was first filed in the United States. Of course, there are certain exceptions to patent eligibility, including laws of nature, natural phenomena, and abstract ideas, which are considered the "basic tools of scientific and technological work."

Just over two years ago, in *Alice Corp. v. CLS Bank Int'l,* 134 S. Ct. 2347 (2014), the U.S. Supreme Court issued a landmark decision regarding patent eligibility, which has significantly changed the landscape for business method and software patents. According to the Court, one of the main concerns driving the exceptions to eligibility was one of pre-emption: would upholding a patent pre-empt use of the patented approach, and effectively grant a monopoly? This, the Court noted, would "risk disproportionately tying up the use of the underlying ideas" and "tend to impede innovation more than it would tend to promote it, thereby thwarting the primary object of [U.S.] patent laws."

The Court reiterated a two-step framework for determining whether an invention was patent eligible: first, determine if the claims are directed to one of the patent-ineligible exceptions; and second, if so, consider the elements of the claim to determine whether they transform the nature of the claim into a patent-eligible application. For the first step, the "basic character" of the invention is considered, i.e., what it is "directed to." If the answer is an abstract idea, or other exception, then at the second step, the claims are scrutinized for an inventive concept, i.e., what additional features are claimed, to ensure "more than simply stating the abstract idea while adding the words 'apply it.'"

The patent claims in *Alice* related to a computerized scheme for mitigating "settlement risk," the risk of whether one party to a financial exchange will satisfy its obligation. The Court found that at Step 1, the patent claims were drawn to the abstract idea of intermediated settlement, that is, the use of a third party to mitigate settlement. The claims basically facilitated the exchange of financial obligations between two parties by using a computer system to act as a third-party intermediary, which created shadow financial records as the transaction proceeded. At Step 2, the Court concluded that the claims merely required generic computers for implementation – there was nothing transformative of the abstract idea.

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Since *Alice,* U.S. courts have found hundreds of patents ineligible. Importantly, many of these invalidations involved patents claiming software, computer, or internet implementation of systems or methods relating to economic relationships and financial transactions; human activity and interactions; organizing and manipulating data or information; and sales and marketing activities.

German companies operating in the United States, regardless of industry or technology, are well served to understand the evolving boundaries of *Alice's* Patent Wunderland, and what is – and what may not be – eligible for patent protection.

Susanne Gellert, LL.M.
Rechtsanwältin | Attorney at Law
Director Legal Department & Business Development Consulting

80 Pine Street, Floor 24 | New York, NY 10005
+1 (212) 974-8846 | +1 (212) 974-8867
legalservices@gaccny.com

www.gaccny.com