

ALERT

## Federal Circuit Patent Bulletin: *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*

November 17, 2017

*"[W]hen a patent's claims 'disclose patent[ly] ineligible subject matter[,] . . . preemption concerns are fully addressed and made moot."*

On October 18, 2017, in *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, the U.S. Court of Appeals for the Federal Circuit (Reyna, Linn, Wallach\*) affirmed the district court's judgment on the pleadings that U.S. Patents No. 7,566,003, No. 7,568,617, No. 8,505,816, and No. 8,662,390, which related to open-payment fare systems in mass transit networks, were invalid as patent ineligible under 35 U.S.C. § 101. The Federal Circuit stated:

"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" Title 35 of the United States Code. "The Supreme Court, however, has long interpreted § 101 and its statutory predecessors to contain an implicit exception: laws of nature, natural phenomena, and abstract ideas are not patentable." . . . A patent claim falls outside § 101 where (1) it is "directed to" a patent-ineligible concept, i.e., a law of nature, natural phenomenon, or abstract idea, and(2)[ ] if so, the particular elements of the claim, considered "both individually and 'as an ordered combination,'" do not add enough to "'transform the nature of the claim' into a patent-eligible application." . . .

Under Alice step one, "claims are considered in their entirety to ascertain whether their character as a whole is directed to excluded subject matter." "We . . . look to whether the claims . . . focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea

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and merely invoke generic processes and machinery.” The District Court held that, “[s]tripped of the technical jargon that broadly describes non-inventive elements (e.g., the ‘interfaces’ and ‘processing systems’), and further shorn of the typically obtuse syntax of patents, the patents here really only cover an abstract concept: paying for a subway or bus ride with a credit card.” . . . The District Court here, as we have instructed, looked to the language of the claims to discern the character of the patent. Even if it had oversimplified the claims, though, we find the legal conclusion reached correct under our *de novo* standard of review. . . .

Taken together, the Asserted Claims are directed to the formation of financial transactions in a particular field (i.e., mass transit) and data collection related to such transactions. The Asserted Claims are not directed to a new type of bankcard, turnstile, or database, nor do the claims provide a method for processing data that improves existing technological processes. Rather, the claims are directed to the collection, storage, and recognition of data. We have determined that claims directed to the collection, storage, and recognition of data are not directed to an abstract idea. Accordingly, the Asserted Claims are directed to an abstract idea under Alice step one. . . .

The second step of the § 101 analysis requires us to determine whether the claim elements, when viewed individually and as an ordered combination, contain “an inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application.” A claim contains an inventive concept if it “include[s] additional features” that are more than “well-understood, routine, conventional activities.”

The District Court held that the Asserted Claims lack an inventive concept because they recite general computer and technological components “like ‘processor,’ ‘hash identifier,’ ‘identifying token,’ and ‘writeable memory,’ the technical details of which are not described.” As a result, the District Court held that “[i]nvolving various computer hardware elements, which save time by carrying out a validation function on site rather than remotely, does not change the fact that in substance, the claims are still directed to nothing more than running a bankcard sale—that is, the performance of an abstract business practice.” We agree. . . .

SSI contends that “other indicia” prove that the Asserted Claims cover patent-eligible subject matter. First, SSI argues that the Asserted Claims “do not preempt any field or allegedly abstract idea.” However, when a patent’s claims “disclose patent[ly] ineligible subject matter[,] . . . preemption concerns are fully addressed and made moot.” Second, SSI contends that the Asserted Claims “satisfy the machine-or[-]transformation test.” The machine-or-transformation test “can provide a useful clue in the second step of the Alice framework,” but it “is not the sole test governing § 101 analyses.” Under that test, “[a] claimed process can be patent[ly] eligible under § 101 if,” *inter alia*, “it is tied to a particular machine or apparatus.” In other words, the subject patent must disclose the use of an apparatus specific to the claimed invention. The Asserted Claims, by contrast, disclose the use of generic computer components and machinery. That is not enough to find that the Asserted Claims contain an inventive concept.