

SMART SYSTEMS INNOVATIONS, LLC, v. CHICAGO TRANSIT AUTHORITY, Appeal No. 2016-1233 (Fed. Cir. October 18, 2017). Before Reyna, Linn, and Wallach. Appealed from N.D. Ill. (Judge Chang).

Background:

SSI sued CTA alleging infringement of four of SSI's patents. CTA filed a motion for judgment on the pleadings, asserting that SSI's claims are ineligible under 35 U.S.C. §101.

SSI's claims can be separated into two groups. The first group claims systems and methods for using a bankcard directly at a gate or terminal of a mass transit system by scanning the bankcard, comparing the scanned data against a locally-stored "white list" of approved transit accounts, and allowing entry if the card owner is listed as an account holder without immediately having to establish network connectivity to process and charge the account. The second group claims features relating to the use of conventional bankcards to implement time-based fare rules despite the inability of bankcards to accept and store data.

The district court granted CTA's motion, reasoning that the claims only cover an abstract concept: "paying for a subway or bus ride with a credit card" and that "claims directed to certain financial transactions ... must be categorized as involving abstract ideas," and the claims lack an inventive concept because they only recite general computer and technological components.

Issue/Holding:

Did the district court err in holding SSI's claims patent ineligible under 35 U.S.C. §101 as being directed to an abstract idea? No, affirmed.

Discussion:

Under step 1 of the *Alice* test, the Federal Circuit distinguished SSI's claims from the claims in *McRO* where a process using **a combined order of specific rules** improved an existing technological process. In holding that SSI's claims are directed to an abstract idea, the Federal Circuit reasoned that SSI's claims are merely directed to the formation of financial transactions in mass transit and to the collection, storage, and recognition of data, and as such are not directed to a combined order of specific rules that improve any technological process.

Under step 2 of the *Alice* test, the Federal Circuit distinguished the asserted claims from *Diehr* and *DDR Holdings* in holding that the SSI's claims do not contain an inventive concept. The Federal Circuit reasoned that *Diehr* does not apply when, as is the case with SSI's claims, the claims at issue use generic computer components to carry out the abstract idea, and that *DDR Holdings* does not apply when, as is the case with SSI's claims, the asserted claims do not attempt to solve a challenge particular to the Internet.

Therefore, the Federal Circuit held that SSI's claims are not patent eligible under §101.

In dissent, Judge Linn criticized the majority decision noting that the majority's characterization of the claims, underlined above, ignores the limitations of validating entry into a transit system by comparing an identifier of a bankcard with downloaded bankcard records to determine if the presented bankcard is contained in the bankcard records (for the first group of claims). Judge Linn noted, among other things, that the claimed system overcomes the time delay of the conventional use of a bankcard when granting access to a transit system.