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Minnesota Check Processor's Business Method Patent Gets Voided by the Federal Circuit

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It is a tough environment currently for companies trying to enforce business method patents. First, the America Invents Act of 2011 allows accused infringers to seek review of issued patents before the U.S. Patent Office's Patent Trial and Appeal Board (PTAB)—the so-called "death squad" of patents. Second, the Supreme Court's 2014 decision in Alice Corp. v. CLS Bank[1] has led to invalidation of hundreds of business method patents by federal courts finding them improperly directed to an "abstract idea."

One Minnesota business recently overcame the odds and got its claim for infringement of a business method patent to a jury. Solutran, Inc., a provider of electronic banking transactions, patented a new method of processing paper checks. After filing suit against a competitor, U.S. Bank, for infringement, Solutran managed to survive an *Alice*-based challenge before the PTAB and in the District of Minnesota. In 2018, Solutran obtained a $3.27 million jury verdict against U.S. Bank.

Solutran's victory was short lived, however. It too stumbled at perhaps the most difficult hurdle: before the U.S. Court of Appeals for the Federal Circuit. On July 30, 2019, the Federal Circuit concluded that Solutran's method of processing checks was directed to an abstract idea, and vacated the jury's verdict.

Solutran's case typifies the current state of U.S. patent law's inhospitality to business method patents.

Solutran v. U.S. Bancorp

Solutran's patented method of processing paper checks allows merchants to electronically collect information from a check at a register, credit the customer's account, and then scan the check at a more convenient time and place to verify the transaction. Older methods required a merchant to either scan the paper check at the register, or to credit an account after the transaction. Both prior methods were less efficient.

Solutran's invention lacked a technological improvement to the checks themselves, or to the methods of scanning them. However, the invention's non-technical improvement to the way paper checks had previously been processed saved time and money, and was successfully adopted by customers.

When U.S. Bank began offering a similar check processing system, Solutran sued for infringement in the District of Minnesota. U.S. Bank petitioned the Patent Office's PTAB to review Solutran's patent, arguing the invention was directed to an abstract idea, and, therefore, ineligible for patent protection. Solutran's district court case was stayed pending the PTAB's review.

In 2014, the PTAB rejected U.S. Bank's petition, concluding that Solutran's patent was not an abstract idea. The PTAB reasoned that "the basic, core concept … is a method of processing paper checks, which is more akin to a physical process than an abstract idea."[2]

Back in the District of Minnesota, U.S. Bank again challenged Solutran's patent as directed to an abstract idea. Like the PTAB, Judge Susan Richard Nelson concluded Solutran's invention was not an abstract idea, but rather a tangible method of processing paper checks. Judge Nelson also found that U.S. Bank infringed. Later, a jury rejected U.S. Bank's other defenses and awarded Solutran damages. U.S. Bank appealed to the Federal Circuit.

On July 30, 2019, the Federal Circuit reversed and held that Solutran's patent was indeed directed to an abstract idea, and invalid. Writing for the Court, Judge Chen concluded that the claims of Solutran's patent were "directed to the abstract idea of crediting a merchant's account as early as possible while electronically processing a check."[3]

The Court further concluded that the "physicality of the paper checks being processed and transported is not by itself enough to exempt the claims from being directed to an abstract idea." "The physical nature of processing paper checks in this case does not require a different result, where the claims simply recite conventional actions in a generic way (e.g., capture data for a file, scan check, move check to a second location, such as a back room) and do not purport to improve any underlying technology."

The Federal Circuit's Solutran decision exemplifies the obstacles any company asserting a non-technical business method patent faces today in overcoming an *Alice*-based challenge. Even if a business overcomes an *Alice*-based challenge before the PTAB or a district court, it must succeed on appeal before the Federal Circuit on a de novo review.

A Supreme Court majority rejected the argument that business methods were ineligible for patent protection in 2010 in Bilski v. Kappos.[4] Earlier, the Federal Circuit rejected a technological-arts test for patent eligibility.[5] Nothing in Alice overruled Bilski's holding. However, the Federal Circuit's decision in Solutran and other cases like it suggest an effective ban on business method patents, even when tied to a physical application, unless the invention somehow provides a technological improvement over the prior art.

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