

Fed. Circ. Urged To Tackle Alice 'Uncertainty' On Payment IP

By [Britain Eakin](#)

Law360 (September 28, 2021, 3:41 PM EDT) -- Universal Secure Registry wants the full Federal Circuit to review a decision affirming the invalidity of secure transaction patents it accused [Apple](#) and Visa of infringing, arguing the court is increasingly wiping out patents under Alice that should be found eligible.

In a petition for rehearing filed Monday, Universal Secure Registry LLC argued that its four patents were among the casualties of the ax it said the Federal Circuit "has wielded with increasing frequency" to invalidate patents under Alice. It cautioned that the current state of patent eligibility jurisprudence is destabilizing technologic development.

"This trend has unsettled expectations and created uncertainty as the court's highly fact-specific rulings defy any predictable pattern. The resulting uncertainty about eligibility discourages the innovation that is the engine of the nation's patent system," the petition said.

Under *Alice Corp. v. CLS Bank*, the Supreme Court held in 2014 that abstract ideas are not patentable absent an added inventive concept transforming them into something patent-eligible. The Federal Circuit panel [ruled in an Aug. 26 decision](#) that the patents, which cover various methods of securing electronic payment transactions, described well-known and conventional ways to perform authentication and did not include any technological improvements that transformed those abstract ideas into patent-eligible inventions.

But Universal said the panel's decision conflicts with the two-step test laid out in *Alice* because it imposed "a heightened 'specificity' requirement for patents on authentication technology." Universal also argued the panel wrongly dinged the patents for failing to produce unexpected results.

"Step one is an inquiry into whether the claim is directed to an abstract idea, not into

whether that idea is obvious or unexpected," Universal argued. "Whether the idea to which the claim is directed produces 'unexpected results' has no logical bearing on whether it is concrete or abstract."

Universal argued that it's time for the full appeals court to take up an Alice case so it can "clarify and unify this important area of law," and align its precedent with the text of Section 101 of the Patent Act and Alice.

Universal, based in Newton, Massachusetts, filed suit in 2017, alleging that the company's CEO, Kenneth P. Weiss, pitched Apple and Visa on his secure-payment technology in 2010 under a 10-year nondisclosure agreement.

The suit claimed that instead of licensing his technology, Apple and Visa partnered with each other to develop Apple Pay and incorporated the patented technology. Apple Pay launched in 2014 and has since been used to conduct hundreds of millions of transactions.

In June 2020, U.S. District Judge Colm F. Connolly [dismissed the suit](#) after finding all four asserted patents invalid under Alice. The Federal Circuit panel affirmed Judge Connolly's ruling in its August decision. The panel ruled that they covered abstract ideas like facilitating transactions by verifying a user's identity, and were implemented using conventional and long-standing techniques, rendering them invalid under Alice.

Tigran Guledjian, who represents Universal, told Law360 review by the Full Federal Circuit would bring greater consistency to an important area of the law.

"The Federal Circuit's Section 101 cases have caused confusion and unpredictability that have increased the costs of litigation and decreased incentives to innovate. This is especially true in the area of computer related inventions and, in particular, computer authentication and security technology," Guledjian said in an email.

Counsel for Visa and Apple did not immediately return a request for comment.

The patents-in-suit are U.S. Patent Nos. [8,577,813](#), [8,856,539](#), [9,100,826](#) and [9,530,137](#).

Universal Secure Registry is represented by Kathleen Sullivan, Tigran Guledjian, Brian Mack, Christopher Mathews and Kevin Smith of [Quinn Emanuel Urquhart & Sullivan LLP](#).

Visa is represented by Steffen Johnson, Matthew Argenti and James Yoon of [Wilson Sonsini Goodrich & Rosati PC](#).

Apple is represented by Mark Selwyn, Liv Herriot, Thomas Sprankling and Monica Grewal of [WilmerHale](#).

The case is Universal Secure Registry LLC v. Apple Inc. et al., case number [20-2044](#), in the [U.S. Court of Appeals for the Federal Circuit](#).

--Additional reporting by Dorothy Atkins and Ryan Davis. Editing by Kelly Duncan.

Update: This story has been updated with a comment from an attorney for Universal.