



Airline Rewards Conversion Method Invalid Under Alice and Bilski

Sep 8, 2014

Reading Time : **1 min**

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On September 2, 2014, Federal Circuit Judge William Bryson, sitting by designation in the Eastern District of Texas, ruled that two patents on a computerbased method for converting airline customers' loyalty reward credits are invalid for claiming only an abstract idea under the U.S. Supreme Court's rulings in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l* and *Bilski v. Kappos*. Plaintiff Loyalty Conversion Services sued ten major airlines claiming their frequent flyer programs infringed U.S. Patent numbers 8,313,023 and 8,511,550 which cover a method in which a company accepts transfers of credits to "independent funds." The suits targeted the airlines' various hoteltomile partnerships, which allow customers to convert hotel points to airline miles. Judge Bryson ruled that the patents were invalid under Alice and Bilski because the role of a computer in the claims of the patents was limited to the basic functions of a generic computer that were so simple that they could be performed by a human being without the aid of a computer of any kind. The court characterized the patents to claim "the unpatentable concept of currency exchange, as applied to the exchange of currencies in the form of loyalty award credits of different vendors." Therefore, the patents were invalid because they "do not contain an 'inventive concept' that solves practical problems and ensures that the patent is directed at something 'significantly more than' the ineligible abstract idea itself."

Loyalty Conversion Systems Corp. v. American Airlines, 2:13CV655, (EDTX, September 2, 2014)

Categories

District Court

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