SUPREME COURT OF THE UNITED STATES

Alice Corp. v. CLS Bank Int'l

134 S. Ct. 2347 (2014) · Decided June 19, 2014

SUMMARY

The Supreme Court held that the asserted claims covering a computer-implemented scheme for mitigating settlement risk through intermediated settlement are directed to the abstract idea of intermediated settlement. The Court concluded that implementing the idea using generic computer components and conventional computer functions did not supply an inventive concept sufficient for patent eligibility under 35 U.S.C. § 101. The Court affirmed the Federal Circuit's judgment that the method, system, and computer-readable-medium claims were patent ineligible.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Thomas; Chief Justice Roberts; Justice Scalia; Justice Kennedy; Justice Ginsburg; Justice Breyer; Justice Alito; Justice Sotomayor; Justice Kagan
JURISDICTION	Federal
DECIDED	June 19, 2014
DISPOSITION	affirmed
PROCEDURAL POSTURE	CLS Bank sought a declaratory judgment that Alice's asserted patent claims were invalid, unenforceable, or not infringed; Alice counterclaimed for infringement. After the Supreme Court's decision in Bilski, the parties filed cross-motions for summary judgment on patent eligibility under 35 U.S.C. § 101. The District Court held all claims patent ineligible, the Federal Circuit initially reversed, and the Federal Circuit sitting en banc affirmed the District Court. The Supreme Court granted certiorari and affirmed.
STANDARD OF REVIEW	Summary judgment and patent-eligibility determination under 35 U.S.C. § 101; the Court addressed eligibility as a question of law based on the asserted claims.
PRECEDENTIAL VALUE	binding
PARTIES	Alice Corporation v. CLS Bank International, CLS Services Ltd.

TOPICS

patent eligibility · patent law · intellectual property · commercial litigation

PRACTICE AREAS

patent law · intellectual property · commercial litigation

QUESTIONS PRESENTED

1. Whether the asserted method, system, and computer-readable-medium claims are patent eligible under 35 U.S.C. § 101.
2. Whether the claims are directed to the abstract idea of intermediated settlement.
3. Whether generic computer implementation supplies an inventive concept sufficient to transform the abstract idea into a patent-eligible invention.

HOLDINGS

1. The asserted claims are directed to the abstract idea of intermediated settlement, meaning the use of a third-party intermediary to mitigate settlement risk.
2. Merely requiring generic computer implementation of an abstract idea does not transform the idea into a patent-eligible invention.
3. The system claims are patent ineligible because the recited data-processing system, communications controller, and data-storage unit are generic computer components configured to implement the same abstract idea as the method claims.
4. The computer-readable-medium claims are patent ineligible for substantially the same reasons as the method claims.

KEY QUOTATIONS

> *"We hold that the claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a patent-eligible invention."* (2354)

> *"Because the claims at issue are directed to the abstract idea of intermediated settlement, we turn to the second step in Mayo's framework."* (2357)

> *"These cases demonstrate that the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention."* (2358)

> *"Instead, the claims at issue amount to "nothing significantly more" than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer."* (2360)

FACTUAL BACKGROUND

Alice Corporation owned patents claiming a computer-implemented scheme for mitigating settlement risk in financial transactions through a third-party intermediary. The claims covered method, system, and computer-readable-medium implementations involving shadow credit and debit records, transaction monitoring, account-balance adjustments, and end-of-day instructions to financial institutions. CLS Bank operated a global currency-transaction network and was accused of infringing the claims.

PROCEDURAL HISTORY

The District Court for the District of Columbia granted summary judgment, concluding that the claims were directed to the abstract idea of using a neutral intermediary to facilitate simultaneous exchange of obligations and were therefore patent ineligible. A divided Federal Circuit panel reversed, but the Federal Circuit granted rehearing en banc, vacated the panel decision, and affirmed the District Court in a per curiam opinion; the system claims were affirmed by an equally divided vote. The Supreme Court affirmed the Federal Circuit.

DISPOSITION

affirmed

CASES CITED

- Association for Molecular Pathology v. Myriad Genetics, Inc., Association for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576 (2013)
- Bilski v. Kappos, 561 U.S. 593 (2010)
- Mayo Collaborative Services v. Prometheus Laboratories, Inc., 566 U.S. 66 (2012)
- Gottschalk v. Benson, 409 U.S. 63 (1972)
- Parker v. Flook, 437 U.S. 584 (1978)
- Diamond v. Diehr, 450 U.S. 175 (1981)
- O'Reilly v. Morse, 15 How. 62 (1854)
- Le Roy v. Tatham, 14 How. 156 (1853)
- United States v. Detroit Timber & Lumber Co., 200 U.S. 321 (1906)

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