

SUPREME COURT OF THE UNITED STATES

Alice Corp. v. CLS Bank Int'l

573 U.S. 208 (2014) · No. 13-298 · Decided June 19, 2014

SUMMARY

The Supreme Court held that Alice Corporation's patent claims concerning computerized intermediated settlement were directed to the patent-ineligible abstract idea of intermediated settlement under 35 U.S.C. § 101. The Court further held that implementing the abstract idea using generic computer components did not supply an inventive concept sufficient to make the claims patent eligible. The Court affirmed the Federal Circuit's judgment.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	Justice Thomas
JURISDICTION	Federal
DECIDED	June 19, 2014
DOCKET	13-298
DISPOSITION	affirmed
PROCEDURAL POSTURE	Alice Corporation sought review of a Federal Circuit judgment affirming the invalidity of its patent claims under 35 U.S.C. § 101. The Supreme Court granted certiorari to determine whether the claims were patent eligible.
STANDARD OF REVIEW	The Court reviewed the patent-eligibility determination under 35 U.S.C. § 101, which arose on cross-motions for summary judgment.
PRECEDENTIAL VALUE	binding
PARTIES	Alice Corporation Pty. Ltd. v. CLS Bank International, CLS Services Ltd.

TOPICS

- patent eligibility
- patent law
- intellectual property
- commercial litigation
- commercial

PRACTICE AREAS

- patent law
- patent eligibility
- intellectual property
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QUESTIONS PRESENTED

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

HOLDINGS

1. The claims are directed to the patent-ineligible abstract idea of intermediated settlement—the use of a third party to mitigate settlement risk.
2. The method claims are not patent eligible because they merely instruct practitioners to implement the abstract idea of intermediated settlement on a generic computer.
3. The system and computer-readable-medium claims are also patent ineligible because they add nothing of substance to the underlying abstract idea.

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.” (573 U.S. at 217)

“First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. If so, we then ask, “[w]hat else is there in the claims before us?”” (573 U.S. at 221)

“Stating an abstract idea while adding the words “apply it with a computer” simply combines those two steps, with the same deficient result.” (573 U.S. at 223)

“Viewed as a whole, petitioner’s method claims simply recite the concept of intermediated settlement as performed by a generic computer.” (573 U.S. at 225)

FACTUAL BACKGROUND

Alice Corporation owned patents concerning the mitigation of settlement risk in financial transactions through a third-party intermediary. The claims covered a method for exchanging financial obligations, a computer system configured to perform that method, and a computer-readable medium containing program code for performing it. The claims used generic computer functions to create and update shadow accounts, monitor transaction balances, and issue instructions for permitted exchanges.

PROCEDURAL HISTORY

CLS Bank filed a declaratory-judgment action seeking a determination that Alice's claims were invalid, unenforceable, or not infringed, and Alice counterclaimed for infringement. On cross-motions for summary judgment, the District Court held all claims patent ineligible as directed to the abstract idea of intermediated settlement. A Federal Circuit panel reversed, but the en banc Federal Circuit vacated the panel decision and affirmed the District Court. The Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- United States v. Detroit Timber & Lumber Co., 200 U.S. 321 (1906)
- Bilski v. Kappos, 561 U.S. 593 (2010)
- Mayo Collaborative Services v. Prometheus Laboratories, Inc., 566 U.S. 66 (2012)
- Association for Molecular Pathology v. Myriad Genetics, Inc., Association for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576 (2013)
- 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)
- Rubber-Tip Pencil Co. v. Howard, 20 Wall. 498 (1874)
- In re Bilski, 545 F.3d 943 (Fed. Cir. 2008)