717 F.3d 1269
United States Court of Appeals,
Federal Circuit.

CLS BANK INTERNATIONAL, Plaintiff–Appellee,
and
CLS Services Ltd., Counterclaim Defendant–Appellee,
v.
ALICE CORPORATION PTY. LTD., Defendant–Appellant.

No. 2011–1301. | May 10, 2013.

Synopsis

Background: In suit concerning infringement and validity of patents generally directed to methods or systems that help lessen settlement risk of trades of financial instruments using a computer system, the United States District Court for the District of Columbia, Rosemary M. Collyer, J., 768 F.Supp.2d 221, granted plaintiffs' motion for summary judgment, and defendants appealed.

Holdings: Upon consideration en banc, a majority of the Court of Appeals held that:

[1] the asserted method and computer-readable media claims were not directed to eligible subject matter under patent eligibility statute, and an equally divided court affirmed the district court's holding that

[2] the asserted system claims were not directed to eligible subject matter under patent eligibility statute.

Affirmed.

Lourie, Circuit Judge, concurring, in which Dyk, Prost, Reyna, and Wallach, Circuit Judges, joined.

Rader, Chief Judge, Linn, Moore, and O'Malley, Circuit Judges, filed opinion concurring-in-part and dissenting-in-part.

Moore, Circuit Judge, filed opinion dissenting-in-part in which Rader, Chief Judge, and Linn and O'Malley, Circuit Judges, joined.

Newman, Circuit Judge, filed opinion concurring in part, and dissenting in part.

Linn and O'Malley, Circuit Judges, filed opinion dissenting from the court's judgment.

West Headnotes (12)

[1] Patents
Eligible Subject Matter

Inventions that are patent eligible are not necessarily patentable. (Per equally divided court.) 35 U.S.C.A. § 101.

Cases that cite this headnote

[2] Patents
Claims and Limitations; Language of Patent

Limitations that represent a human contribution but are merely tangential, routine, well-understood, or conventional, or in practice fail to narrow patent claim relative to the fundamental principle therein, cannot confer patent eligibility. (Per equally divided court.) 35 U.S.C.A. § 101.

2 Cases that cite this headnote

[3] Patents
Claims and Limitations; Language of Patent

Bare field-of-use limitations cannot rescue a claim from patent ineligibility where claim as written still effectively preempts all uses of a fundamental concept within the stated field. (Per equally divided court.)

Cases that cite this headnote

[4] Patents

Laws of nature, natural phenomena, and abstract ideas; fundamental principles

Analyzing patent eligibility considers whether steps combined with a natural law or abstract idea are so insignificant, conventional, or routine as to yield a claim that effectively covers the natural law or abstract idea itself. (Per equally divided court.) 35 U.S.C.A. § 101.

19 Cases that cite this headnote

[5] Patents

Eligible Subject Matter

District courts may exercise their discretion to begin analysis of patent dispute elsewhere than patent eligibility statute when they perceive that another section of the Patent Act might provide a clearer and more expeditious path to resolving a dispute.(Per equally divided court.) 35 U.S.C.A. § 101.

Cases that cite this headnote

[6] Patents

Presumption of correctness in general

Patents

Obviousness; lack of invention

All issued patent claims receive a statutory presumption of validity, and, as with obviousness and enablement, that presumption applies when patent ineligibility is raised as a basis for invalidity in district court proceedings. (Per equally divided court.) 35 U.S.C.A. § 101.

8 Cases that cite this headnote

[7] Patents

Business methods

Asserted method claims of patent useful for conducting financial transactions using a third party to settle obligations between a first and second party so as to mitigate "settlement risk" were not directed to eligible subject matter under patent eligibility statute; requirement for computer participation in those claims failed to supply an "inventive concept" that represented a nontrivial, nonconventional human contribution or materially narrowed the claims relative to the abstract idea they embraced, and there was nothing in the asserted method claims that represented "significantly more" than the underlying abstract idea for purposes of patent eligibility. 35 U.S.C.A. § 101.

34 Cases that cite this headnote

[8] Patents

Computers and Software

Simply appending generic computer functionality to lend speed or efficiency to the performance of an otherwise abstract concept does not meaningfully limit claim scope for purposes of patent eligibility. (Per equally divided court.) 35 U.S.C.A. § 101.

11 Cases that cite this headnote

[9] Patents

Computers and Software

Unless the claims require a computer to perform operations that are not merely accelerated calculations, a computer does not itself confer patent eligibility. (Per equally divided court.) 35 U.S.C.A. § 101.

1 Cases that cite this headnote

[10] Patents

Business methods; Internet applications

Computer-readable media patent claims useful for conducting financial transactions using a third party to settle obligations between a first and second party so as to mitigate "settlement risk" were not directed to eligible subject matter under patent eligibility statute; "computer readable medium claims" were equivalent to the methods they recited for patent eligibility purposes, and were merely method claims in the guise of a device. 35 U.S.C.A. § 101.

20 Cases that cite this headnote

[11] Patents

Data processing

Patent claims reciting "data processing systems" configured to enable the exchange of mutual

obligations through an intermediary were not directed to eligible subject matter under patent eligibility statute; instead of wholly implied computer limitations, system claims recited a handful of computer components in generic, functional terms that would encompass any device capable of performing the same ubiquitous calculation, storage, and connectivity functions required by asserted patent method claims, and the computer-based limitations recited in the system claims could not support any meaningful distinction from the computer-based limitations that failed to supply an "inventive concept" to the related method claims. (Per equally divided court.) 35 U.S.C.A. § 101.

14 Cases that cite this headnote

[12] **Patents**

In general; utility

US Patent 5,970,479, US Patent 6,912,510, US Patent 7,149,720, US Patent 7,725,375. Invalid.

Cases that cite this headnote

Attorneys and Law Firms

***1271** Mark A. Perry, Gibson, Dunn & Crutcher LLP, of Washington, DC, argued for plaintiff-appellee and counterclaim-defendant appellee on rehearing en banc. With him on the brief were Brian M. Buroker, Michael F. Murray and Alexander N. Harris. Of counsel on the brief was Michael A. Valek, of Dallas, TX.

Adam L. Perlman, Williams & Connolly, LLP, of Washington, DC, argued for defendant-appellant on rehearing en banc. With him on the brief were Bruce R. Genderson, Ryan T. Scarborough, Stanley E. Fisher and David M. Krinsky. Of counsel on the brief were Constantine L. Trela, Jr., Sidley Austin, LLP, of Chicago, IL and Robert E. Sokohl, Sterne, Kessler, Goldstein & Fox, PLLC, of Washington, DC.

Nathan K. Kelley, Deputy Solicitor, Office of the Solicitor, United States Patent and Trademark Office, of Alexandria, VA, argued for United States Patent and Trademark Office, for amicus curiae on rehearing en banc. With him on the brief were Bernard J. Knight, Jr., General Counsel, Raymond T. Chen, Solicitor, Scott C. Weidenfeller, Senior Counsel for Patent Law, and Thomas E. Krause, Special Counsel for IP Litigation. Of counsel on the brief were Beth S. Brinkmann, Deputy Assistant Attorney General, Scott R. McIntosh and Mark R. Freeman, Attorneys, Appellate Staff, Civil Division, United States Department of Justice, of Washington, DC.

***1272** Stephen R. Stites, Bluemont, VA, as amicus curiae on rehearing en banc.

Jack E. Haken, Philips Intellectual Property and Standards, of Briarcliff Manor, NY, for amicus curiae, Koninklijke Philips Electronics NV on rehearing en banc. With him on the brief were Michael Fuerch, Paul Im, and David Schreiber.

Paul R. Juhasz, The Juhasz Law Firm, P.C., of Houston, TX, for amicus curiae The Juhasz Law Firm, P.C., on rehearing en banc.

Charles W. Shifley, Banner & Witcoff, Ltd., of Chicago, IL, for amicus curiae The Intellectual Property Law Association of Chicago on rehearing en banc.

Michael R. Dzwonczyk, Sughrue Mion, PLLC, of Washington, DC, for amicus curiae Sigram Schindler Beteiligungsgesellschaft mbH on rehearing en banc.

Julie P. Samuels, Electronic Frontier Foundation, of San Francisco, CA, for amici curiae Electronic Frontier Foundation, et al. on rehearing en banc. With her on the brief was Michael Barclay.

Charles R. Macedo, Amster, Rothstein & Ebenstein LLP, of New York, NY, for amicus curiae New York Intellectual Property Law Association on rehearing en banc. With him on the brief was Michael J. Kasdan. Of counsel on the brief was Anthony F. Lo Cicero, New York Intellectual Property Law Association, of Fort Lee, NJ.

John D. Vandenberg, Klarquist Sparkman, LLP, of Portland, OR, for amicus curiae British Airways, PLC, et al. on rehearing en banc.

Matthew Schruers, Computer & Communications Industry Association, (CCIA) for amicus curiae Computer & Communications Industry Association on rehearing en banc.

Daryl Joseffer, King & Spalding LLP, of Washington, DC, for amici curiae Google Inc., et al. on rehearing en banc. With him on the brief was Adam Conrad, of Charlotte, NC.

George L. Graff, of Briarcliff Manor, NY, for amicus curiae Intellectual Property Owners Association on rehearing en banc. With him on the brief were Richard F. Phillips, ExxonMobil Chemical Company, of Houston, TX and Kevin H. Rhodes, 3M Innovative Properties Company, of St. Paul, MN.

Steven C. Sereboff, SoCal IP Law Group LLP, of Westlake Village, CA, for amicus curiae Conejo Valley Bar Association on rehearing en banc. With him on the brief were Mark A. Goldstein, Jonathan Pearce and M. Kala Sarvaiya.

Paul D. Clement, Bancroft PLLC, of Washington, DC, for amicus curiae International Business Machines Corporation on rehearing en banc. With him on the brief was D. Zachary Hudson. Of counsel on the brief were Manny W. Schecter and Kenneth R. Corsello, IBM Corporation, of Armonk, NY.

Andrew J. Pincus, Mayer Brown LLP, of Washington, DC, for amicus curiae BSA, et al. on rehearing en banc. With him on the brief was Paul W. Hughes.

Susan M. Davies, Kirkland & Ellis LLP, of Washington, DC, for amici curiae The Clearing House Association L.L.C., et al. on rehearing en banc. With her on the brief was Liam P. Hardy.

Peter K. Trzyna, Attorney at Law, of Chicago, IL, for amici curiae Professor Lee Hollaar, et al. on rehearing en banc.

Peter J. Brann, Brann & Isaacson, of Lewiston, ME, for amici curiae Internet Retailers on rehearing en banc. With him on the brief were David Swetnamburland and Stacy O. Stitham.

Robert P. Greenspoon, Flachsbart & Greenspoon, LLC, of Chicago, IL, for amici ***1273** curiae Telecommunication Systems, Inc., et al. on rehearing en banc.

Jerry R. Selinger, Patterson & Sheridan, LLP, of Dallas, TX, for amicus curiae American Intellectual Property Law Association on rehearing en banc. With him on the brief was Gero McClellan. Of counsel on the brief was Jeffrey I.D. Lewis, American Intellectual Property Law Association, of Arlington, VA.

David E. Boundy, Cantor Fitzgerald, L.P., of New York, NY, for amici curiae, BGC Partners, Inc., et al. on rehearing en banc. With him on the brief was Gary A. Rosen, Law Offices of Gary A. Rosen, P.C., of Ardmore, PA.

Charles K. Verhoeven, Quinn Emanuel Urquhart & Sullivan, of San Francisco, CA, for amicus curiae Bancorp Services, LLC, on rehearing en banc. With him on the brief was David A. Perlson. Of counsel on the brief was Ian S. Shelton, of Los Angeles, CA.

Dale R. Cook, ICT Law & Technology LLC, of Seattle, WA, for amicus curiae Dale R. Cook on rehearing en banc. With him on the brief was Steven F. Borsand, Trading Technologies International, Inc., of Chicago, IL.

Ann M. McCrackin, of Minneapolis, MN, for amicus curiae University of New Hampshire School of Law Intellectual Property Clinic on rehearing en banc. With her on the brief was J. Jeffrey Hawley, University of New Hampshire, of Concord, NH.

Before RADER, Chief Judge, NEWMAN, LOURIE, LINN, DYK, PROST, MOORE, O'MALLEY, REYNA, and WALLACH, Circuit Judges. [*]

Opinion

Opinion for the court filed PER CURIAM.

Concurring opinion filed by LOURIE, Circuit Judge, in which DYK, PROST, REYNA, and WALLACH, Circuit Judges, join.

PER CURIAM.

Upon consideration en banc, a majority of the court affirms the district court's holding that the asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101. An equally divided court affirms the district court's holding that the asserted system claims are not directed to eligible subject matter under that statute.

AFFIRMED

LOURIE, Circuit Judge, concurring, with whom Circuit Judges DYK, PROST, REYNA, and WALLACH join.

Alice Corporation ("Alice") appeals from the grant of summary judgment in favor of declaratory judgment plaintiffs CLS Bank International and CLS Services, Ltd. (collectively, "CLS") by the United States District Court for the District of Columbia holding that certain claims of Alice's U.S. Patents

5,970,479 (the "#479 patent"), 6,912,510 (the "#510 patent"), 7,149,720 (the "#720 patent"), and 7,725,375 (the "#375 patent") are invalid under 35 U.S.C. § 101. *CLS Bank Int'l v. Alice Corp.*, 768 F.Supp.2d 221 (D.D.C.2011). On July 9, 2012, a panel of this court reversed, holding that the claims at issue, including claims drawn to methods, computer-readable media, and systems, were all patent eligible under § 101. *CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341 (Fed.Cir.2012), *vacated*, 484 Fed.Appx. 559 (Fed.Cir.2012). CLS filed a petition for rehearing en banc, which was granted on October 9, 2012. *CLS Bank Int'l v. Alice Corp.*, 484 Fed.Appx. 559 (Fed.Cir.2012).

***1274** As described more fully below, we would affirm the district court's judgment in its entirety and hold that the method, computer-readable medium, and corresponding system claims before us recite patent-ineligible subject matter under 35 U.S.C. § 101. [1]

BACKGROUND

I. Alice's Patents

Alice, an Australian company, owns the '479, '510, '720, and '375 patents by assignment. The patents, which all derive from the same family and share substantially the same specification, concern "the management of risk relating to specified, yet unknown, future events." '479 patent col. 1, ll. 8–10. In particular, the patents relate to a computerized trading platform used for conducting financial transactions in which a third party settles obligations between a first and a second party so as to eliminate "counterparty" or "settlement" risk. *CLS Bank*, 768 F.Supp.2d at 224. Settlement risk refers to the risk to each party in an exchange that only one of the two parties will actually pay its obligation, leaving the paying party without its principal or the benefit of the counterparty's performance. Alice's patents address that risk by relying on a trusted third party to ensure the exchange of either both parties' obligations or neither obligation. *Id.*

For example, when two parties agree to perform a trade, in certain contexts there may be a delay between the time that the parties enter a contractual agreement obligating themselves to the trade and the time of settlement when the agreed trade is actually executed. Ordinarily, the parties would consummate the trade by paying or exchanging their mutual obligations after the intervening period, but in some cases one party might become unable to pay during that time and fail to notify the other before settlement. *Id.* As disclosed in Alice's patents, a trusted third party can be used to verify each party's ability to perform before actually exchanging either of the parties' agreed-upon obligations. *Id.*; *see also* '479 patent col. 5 ll. 61–63 ("The invention also encompasses apparatus and method dealing with the handling of contracts at maturity, and specifically the transfer of entitlement.").

The claims currently before the court include claims 33 and 34 of the '479 patent and all claims of the '510, '720, and '375 patents. The relevant claims of the '479 and '510 patents recite methods of exchanging obligations between parties, the claims of the '720 patent are drawn to data processing systems, and the claims of the '375 patents claim data processing systems as well as computer-readable media containing a program code for directing an exchange of obligations.

II. District Court Proceedings

On May 24, 2007, CLS filed suit against Alice seeking a declaratory judgment of noninfringement, invalidity, and unenforceability as to the '479, '510, and '720 patents. Alice answered and counterclaimed, alleging infringement. By the agreement of the parties, the district court allowed limited initial discovery, addressing only the questions of (i) the operations of CLS, and (ii) CLS's relationship with the accused CLS system. *CLS Bank Int'l v. Alice Corp.*, No. 07–cv–00974 (D.D.C. Feb. 21, 2008), ECF No. 24 (Scheduling Order).

***1275** In March 2009, following limited discovery, CLS moved for summary judgment on the bases that any possible infringement could not be said to have occurred in the United States and that Alice's asserted claims were drawn to ineligible subject matter and therefore invalid under 35 U.S.C. § 101. Alice filed cross-motions on both issues. The district court denied CLS's motion as to extraterritoriality on October 13, 2009, finding that CLS's alleged infringing acts fell within the reach of domestic patent law. *CLS Bank Int'l v. Alice Corp.*, 667 F.Supp.2d 29, 33–38 (D.D.C.2009). Regarding subject-matter eligibility under § 101, the district court summarily denied the parties' motions on June 16, 2009, without prejudice to refiling, after the Supreme Court granted certiorari to review our decision in *In re Bilski*, 545 F.3d 943 (Fed.Cir.2008) (en banc), *cert. granted sub. nom. Bilski v. Doll*, —— U.S. ——, 129 S.Ct. 2735, 174 L.Ed.2d 246 (2009).

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