134 S.Ct. 2347, 189 L.Ed.2d 296, 82 USLW 4508, 110 U.S.P.Q.2d 1976, 14 Cal. Daily Op. Serv. 6713, 2014 Daily Journal D.A.R. 7838, 24 Fla. L. Weekly Fed. S 870
(Cite as: 134 S.Ct. 2347)

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Supreme Court of the United States
ALICE CORPORATION PTY. LTD., Petitioner
v.
CLS BANK INTERNATIONAL et al.

No. 13–298.
Argued March 31, 2014.
Decided June 19, 2014.

Background: Banks brought action seeking declaration that patents for mitigating settlement risk in financial transactions by using a computer system as a third-party intermediary were invalid, and patents' assignee filed counterclaim for infringement. The United States District Court for the District of Columbia, Rosemary M. Collyer, J., 768 F.Supp.2d 221, granted banks' motion for summary judgment, and assignee appealed. On rehearing en banc, the United States Court of Appeals for the Federal Circuit, 717 F.3d 1269, affirmed, and certiorari was granted.

Holdings: The Supreme Court, Justice Thomas, held that:
(1) the abstract idea of an intermediated settlement was not patentable, and
(2) method claims requiring generic computer implementation failed to transform the abstract idea of intermediated settlement into a patent-eligible invention.

Affirmed.

Justice Sotomayor filed concurring opinion in which Justices Ginsburg and Breyer joined.

West Headnotes

[1] Patents 291 5

291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

Laws of nature, natural phenomena, and abstract ideas are not patentable. 35 U.S.C.A. § 101.

[2] Patents 291 5

291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

At some level, all inventions embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas; thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept. 35 U.S.C.A. § 101.

[3] Patents 291 5

291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

Applications of abstract concepts to a new and useful end remain eligible for patent protection. 35 U.S.C.A. § 101.

[4] Patents 291 5

134 S.Ct. 2347, 189 L.Ed.2d 296, 82 USLW 4508, 110 U.S.P.Q.2d 1976, 14 Cal. Daily Op. Serv. 6713, 2014 Daily Journal D.A.R. 7838, 24 Fla. L. Weekly Fed. S 870
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291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

In applying the patentability exception for laws of nature, natural phenomena, and abstract ideas, courts must distinguish between patents that claim the building blocks of human ingenuity and those that integrate the building blocks into something more, thereby transforming them into a patent-eligible invention; the former would risk disproportionately tying up the use of the underlying ideas, and are therefore ineligible for patent protection, while the latter pose no comparable risk of pre-emption, and therefore remain eligible for the monopoly granted under our patent laws. 35 U.S.C.A. § 101.

[5] Patents 291 157(1)

291 Patents
291IX Construction and Operation of Letters Patent
291IX(A) In General
291k157 General Rules of Construction
291k157(1) k. In general. Most Cited Cases

Patent claims must be considered as a whole.

[6] Patents 291 5

291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

To distinguish patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts, courts first determine whether the claims at issue are directed to one of those patent-ineligible concepts, and if so, then ask what else there is in those claims. 35 U.S.C.A. § 101.

[7] Patents 291 7.14

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.14 k. Particular processes or methods as constituting invention. Most Cited Cases

Claims in patents for mitigating settlement risk in financial transactions by using a computer system as a third-party intermediary were directed to a patent-ineligible concept; claims were drawn to the abstract idea of intermediated settlement, which was a fundamental economic practice long prevalent in our system of commerce. 35 U.S.C.A. § 101.

[8] Patents 291 7.14

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.14 k. Particular processes or methods as constituting invention. Most Cited Cases

Method claims in patents for mitigating settlement risk in financial transactions through use of a computer system as a third-party intermediary, by requiring generic computer implementation, failed to transform the abstract idea of intermediated settlement into a patent-eligible invention; claims simply instructed a practitioner to implement the abstract idea of intermediated settlement on a generic computer, without purporting to improve the functioning of the computer itself, or effecting an improvement in any other technology or technical field. 35 U.S.C.A. § 101.

[9] Patents 291 5

134 S.Ct. 2347, 189 L.Ed.2d 296, 82 USLW 4508, 110 U.S.P.Q.2d 1976, 14 Cal. Daily Op. Serv. 6713, 2014 Daily Journal D.A.R. 7838, 24 Fla. L. Weekly Fed. S 870
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291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

A patent claim that recites an abstract idea must include additional features to ensure that the claim is more than a drafting effort designed to monopolize the abstract idea; transformation into a patent-eligible application requires more than simply stating the abstract idea while adding the words "apply it." 35 U.S.C.A. § 101.

[10] Patents 291 ⚿6

291 Patents
291I Subjects of Patents
291k4 Arts
291k6 k. Principles or laws of nature. Most Cited Cases

Simply implementing a mathematical principle on a physical machine, namely a computer, is not a patentable application of that principle. 35 U.S.C.A. § 101.

[11] Patents 291 ⚿5

291 Patents
291I Subjects of Patents
291k4 Arts
291k5 k. In general. Most Cited Cases

The prohibition against patenting abstract ideas cannot be circumvented by attempting to limit the use of the idea to a particular technological environment. 35 U.S.C.A. § 101.

[12] Patents 291 ⚿7.11

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.11 k. Use or operation of machine or apparatus as affecting process. Most Cited Cases

Mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention. 35 U.S.C.A. § 101.

[13] Patents 291 ⚿7.11

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.11 k. Use or operation of machine or apparatus as affecting process. Most Cited Cases

If a patent's recitation of a computer amounts to a mere instruction to implement an abstract idea on a computer, that addition cannot impart patent eligibility. 35 U.S.C.A. § 101.

[14] Patents 291 ⚿7.14

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.14 k. Particular processes or methods as constituting invention. Most Cited Cases

Claims to a computer system and a computer-readable medium in patents for mitigating settlement risk in financial transactions through use of a computer system as a third-party intermediary were patent ineligible; system claims recited a handful of generic computer components configured to implement the unpatentable abstract idea of an intermediated settlement. 35 U.S.C.A. § 101.

Patents 291 ⚿328(2)

134 S.Ct. 2347, 189 L.Ed.2d 296, 82 USLW 4508, 110 U.S.P.Q.2d 1976, 14 Cal. Daily Op. Serv. 6713, 2014 Daily Journal D.A.R. 7838, 24 Fla. L. Weekly Fed. S 870
(Cite as: 134 S.Ct. 2347)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original utility. Most Cited Cases

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

***2349** *Syllabus* [FN*]

FN* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.,* 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

Petitioner Alice Corporation is the assignee of several patents that disclose a scheme for mitigating "settlement risk," *i.e.,* the risk that only one party to an agreed-upon financial exchange will satisfy its obligation. In particular, the patent claims are designed to facilitate the exchange of financial obligations between two parties by using a computer system as a third-party intermediary. The patents in suit claim (1) a method for exchanging financial obligations, (2) a computer system configured to carry out the method for exchanging obligations, and (3) a computer-readable medium containing program code for performing the method of exchanging obligations.

Respondents (together, CLS Bank), who operate a global network that facilitates currency transactions, filed suit against petitioner, arguing that the patent claims at issue are invalid, unenforceable, or not infringed. Petitioner counterclaimed, alleging infringement. After *Bilski v. Kappos,* 561 U.S. 593, 130 S.Ct. 3218, 177 L.Ed.2d 792, was decided, the District Court held that all of the claims were ineligible for patent protection under 35 U.S.C. § 101 because they are directed to an abstract idea. The en banc Federal Circuit affirmed.

Held : Because the claims are drawn to a patent-ineligible abstract idea, they ***2350** are not patent eligible under § 101. Pp. 2354 – 2360.

(a) The Court has long held that § 101, which defines the subject matter eligible for patent protection, contains an implicit exception for " '[l]aws of nature, natural phenomena, and abstract ideas.' " *Association for Molecular Pathology v. Myriad Genetics, Inc.,* 569 U.S. ——, ——, 133 S.Ct. 2107, 2116, 186 L.Ed.2d 124. In applying the § 101 exception, this Court must distinguish patents that claim the " 'buildin[g] block[s]' " of human ingenuity, which are ineligible for patent protection, from those that integrate the building blocks into something more, see *Mayo Collaborative Services v. Prometheus Laboratories, Inc.,* 566 U.S. ——, ——, 132 S.Ct. 1289, 1303, 182 L.Ed.2d 321, thereby "transform[ing]" them into a patent-eligible invention, *id.,* at ——, 132 S.Ct., at 1294. Pp. 2354 – 2355.

(b) Using this framework, the Court must first determine whether the claims at issue are directed to a patent-ineligible concept. 566 U.S., at ——, 132 S.Ct., at ——. If so, the Court then asks whether the claim's elements, considered both individually and "as an ordered combination," "transform the nature of the claim" into a patent-eligible application. *Id.,* at ——, 132 S.Ct., at 1297. Pp. 2355 – 2360.

(1) The claims at issue are directed to a patent-ineligible concept: the abstract idea of intermediated settlement. Under "the longstanding rule that '[a]n idea of itself is not patentable,' " *Gottschalk v. Benson,* 409 U.S. 63, 67, 93 S.Ct. 253, 34 L.Ed.2d 273, this Court has found ineligible patent claims involving an algorithm for converting binary-coded decimal numerals into pure binary form, *id.,* at 71–72,

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93 S.Ct. 253; a mathematical formula for computing "alarm limits" in a catalytic conversion process, *Parker v. Flook,* 437 U.S. 584, 594–595, 98 S.Ct. 2522, 57 L.Ed.2d 451; and, most recently, a method for hedging against the financial risk of price fluctuations, *Bilski,* 561 U.S., at 599, 130 S.Ct. 3218. It follows from these cases, and *Bilski* in particular, that the claims at issue are directed to an abstract idea. On their face, they are drawn to the concept of intermediated settlement, *i.e.,* the use of a third party to mitigate settlement risk. Like the risk hedging in *Bilski,* the concept of intermediated settlement is " 'a fundamental economic practice long prevalent in our system of commerce,' " *ibid.,* and the use of a third-party intermediary (or "clearing house") is a building block of the modern economy. Thus, intermediated settlement, like hedging, is an "abstract idea" beyond § 101's scope. Pp. 2355 – 2357.

(2) Turning to the second step of *Mayo* 's framework: The method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent-eligible invention. Pp. 2357 – 2360.

(i) "Simply appending conventional steps, specified at a high level of generality," to a method already "well known in the art" is not "*enough* " to supply the " 'inventive concept' " needed to make this transformation. *Mayo, supra,* at ——, ——, ——, 132 S.Ct., at 1300, 1297, 1294. The introduction of a computer into the claims does not alter the analysis. Neither stating an abstract idea "while adding the words 'apply it,' " *Mayo, supra,* at ——, 132 S.Ct., at 1294, nor limiting the use of an abstract idea " 'to a particular technological environment,' " *Bilski, supra,* at 610–611, 130 S.Ct. 3218, is enough for patent eligibility. Stating an abstract idea while adding the words "apply it with a computer" simply combines those two steps, with the same deficient result. Wholly generic computer implementation is not generally the sort of "additional ***2351** featur[e]" that provides any "practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself." *Mayo, supra,* at ——, 132 S.Ct., at 1297. Pp. 2357 – 2359.

(ii) Here, the representative method claim does no more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer. Taking the claim elements separately, the function performed by the computer at each step—creating and maintaining "shadow" accounts, obtaining data, adjusting account balances, and issuing automated instructions—is "[p]urely 'conventional.' " *Mayo,* 566 U.S., at ——, 132 S.Ct., at 1298. Considered "as an ordered combination," these computer components "ad[d] nothing ... that is not already present when the steps are considered separately." *Id.,* at ——, 132 S.Ct., at 1298. Viewed as a whole, these method claims simply recite the concept of intermediated settlement as performed by a generic computer. They do not, for example, purport to improve the functioning of the computer itself or effect an improvement in any other technology or technical field. An instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is not "*enough* " to transform the abstract idea into a patent-eligible invention. *Id.,* at ——, 132 S.Ct., at 1297. Pp. 2359 – 2360.

(3) Because petitioner's system and media claims add nothing of substance to the underlying abstract idea, they too are patent ineligible under § 101. Petitioner conceded below that its media claims rise or fall with its method claims. And the system claims are no different in substance from the method claims. The method claims recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea. This Court has long "warn[ed] ... against" interpreting § 101 "in ways that make patent eligibility 'depend simply on the draftsman's art.' " *Mayo, supra,* at ——, 132 S.Ct., at 1294.

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