IP Alert: McRO Inc. v. Bandai Namco Games America Inc. et al.



McRO INC. V. BANDAI NAMCO GAMES AMERICA INC. ET AL.

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The U.S. Court of Appeals for the Federal Circuit in *McRO Inc. v. Bandai Namco Games America Inc. et al.*, case number 15-1080, reversed the district court's grant of judgment on the pleadings under Fed. R. Civ. P. 12(c) that the asserted claims of U.S. Patent Nos. 6,307,576 (the '576 patent) and 6,611,278 (the '278 patent) are invalid, and remanded to the U.S. District Court for the Central District of California for further proceedings. *McRO* is only the fourth decision of the Federal Circuit to reverse a lower court's holding of patent ineligibility since the U.S. Supreme Court's decision in *Alice v. CLS Bank*.[1] In a sea of Alice rejections, *McRO* serves as a guide to what the Federal Circuit believes are non-abstract, patent eligible claims.

The patents-in-suit describe motion capture technology McRO developed in 1997 that provides an alternative process for automatically animating lip synchronization and facial expressions of animated characters, such as in video game development. The Central District of California held

the patents invalid as lacking patent eligible subject matter under 35 U.S.C. § 101 in the wake of *Alice*. McRO appealed, and the Federal Circuit now reverses that holding.

Claim 1 of the '576 patent, which is dispositive for purposes of this appeal, reads:

1. A method for automatically animating lip synchronization and facial expression of three-dimensional characters comprising:
obtaining a first set of rules that define output morph weight set stream as a function of phoneme sequence and time of said phoneme sequence;
obtaining a timed data file of phonemes having a plurality of sub-sequences;
generating an intermediate stream of output morph weight sets and a plurality of transition parameters between two adjacent morph weight sets by evaluating said plurality of sub-sequences against said first set of rules;
generating a final stream of output morph weight sets at a desired frame rate from said intermediate stream of output morph weight sets and said plurality of transition parameters; and
applying said final stream of output morph weight sets to a sequence of animated characters to produce lip synchronization and facial expression control of said animated characters.

Preemption Analysis in the Two-Step *Alice* Test

Similar to the framework the Federal Circuit followed in *Enfish*, here the Court reached its holding without reaching step two of the *Alice* test. After performing a detailed preemption analysis in step one of the *Alice* test, the Court held "that the ordered combination of claimed steps, using unconventional rules that relate sub-sequences of phonemes, timings, and morph weight sets, is not directed to an abstract idea and is therefore patent-eligible subject matter under § 101."

The Court cautioned against oversimplifying the claims, during step one of the *Alice* test, by looking at them generally and failing to account for the specific features recited in the claims. Claim 1 recites evaluating sub-sequences, generating transition parameters, and applying transition parameters to create a final morph weight set. The Court performed initial claim construction and determined that the claims "are limited to rules that evaluate subsequences consisting of multiple sequential phonemes," and the Court later reasoned that "[i]t is the incorporation of these claimed rules, *not the use of the computer*, that improved the existing technological process."[2] (emphasis added). The Court noted that no evidence has been cited suggesting that animators were previously employing the type of rules required by claim 1, either by hand or on a computer.[3] Furthermore, the specific rules recited in claim 1, noted by the Court as being limited to rules with certain common characteristics (e.g., a genus), "render information into a specific format that is then used and applied to create desired results: a sequence of synchronized, animated characters."[4]

Nevertheless, the Court harkened back to the cornerstone of patent eligibility: preemption, to further support its holding in stating that "[i]t is self-evident that genus claims create a greater risk of preemption, thus implicating the primary concern driving § 101 jurisprudence, but this does not mean they are unpatentable."[5] The Court noted that preemption, not tangibility, is the underlying concern and emphasized that the "narrower concern here is whether the claimed genus of rules preempts all techniques for automating 3-D animation that rely on rules." In finding that there was no preemption, the Court considered that there had "been no showing that any rules-based lip-synchronization process must use the rules with the specifically claimed characteristics" narrowly recited in McRO's claim 1.[6] Interestingly, the Court noted that "[t]he only information cited to this court … points to the conclusion that there are many other possible approaches to automating lip synchronization using rules."[7] Moreover, the Court looked to the specification and external references in determining "whether the claims in these [McRO] patents focus[ed] on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery."[8] It seems here that the numerous alternative processes available in the field to achieve the same claimed outcome in combination with McRO's narrowly recited claim to a specific process that uses particular information to achieve a specific outcome, seemingly persuaded the Court that the preemption analysis favored patent eligibility. Here, the Court, citing *Alice*, found that the "claim uses the limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice."[9]

Takeaway

While there are many takeaways from *McRO*, one notable point is that different from prior Federal Circuit decisions since *Alice*, here the claims were found patent eligible even where the claimed improvement was incorporated in software processed by a general purpose computer and did not result in an improvement in the technological performance of a computer, computer functionality, or computer network. Rather, even when the claimed improvement is not to the computer itself, a claim may still be patent eligible when the improvement allows computers to produce an outcome that previously only could be produced by an intuitive process by humans.

Another Appeal to Watch

Like *McRO*, another appeal to watch in this area of patent law is *Thales Visionix, Inc., v. United States*, No. 14-513C, 2015 WL 4396610 (Fed. Cl. July 20, 2015), in which claims reciting specific hardware elements used for tracking motion of objects with respect to a moving reference frame, were found to be directed to an abstract idea under 35 U.S.C. § 101. We eagerly await the Federal Circuit's decision in that case.

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[1]*See Alice Corp. Prop. Ltd. v. CLS Bank Int'l*, 134 C. St. 2347, 2355 (2014). The Federal Circuit's prior three decisions reversing a lower court's holding of patent ineligibility are: *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014); *Enfish, LLC v. Microsoft Corp.*, No. 2015-1244 (Fed. Cir. 2016); and *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, No. 15-1763 (Fed. Cir. June 27, 2016).

[2]*See McRO, Inc. v. Bandai Namco Games America Inc. et al., No. 15-1080*, slip op. at 24 (Fed. Cir. Sept. 13, 2016).

[3]*See Id*., slip op. at 24-25 ("This is unlike *Flook*, *Bilski*, and *Alice*, where the claimed computer-automated process and the prior method were carried out in the same way.").

[4]*See Id*., slip op. at 25.

[5]*See Id*., slip op. at 23.

[6]*See Id.*, slip op. at 26.

[7]*See* Amicus Public Knowledge filed in *McRO* (citing a 2008 work by Kiyoshi Honda, "Physiological Processes of Speech Processing, in Springer Handbook of Speech Production," as support for the proposition that the claimed rules reflect natural laws).

[8]*See Id*., slip op. at 23.

[9]*See Id*., slip op. at 27.

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