

AT TWO, ALICE TODDLES ALONG



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Since the two-year anniversary of the U.S. Supreme Court's decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014),¹ the *Alice* framework for patent eligibility continues to toddle along a meandering path towards patent eligibility for software-based innovations. Almost all of the Court of Appeals for the Federal Circuit's decisions on patent eligibility in the non-life sciences arts have held patent claims to be ineligible as being directed to an abstract idea that fails to recite significantly more. Only two Federal Circuit decisions before the June 2016 anniversary and three more since have found the disputed claims to be patent eligible, now bringing the post-*Alice* total to five Federal Circuit decisions finding patent-eligible subject matter: *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014); *Enfish, LLC v. Microsoft Corporation*, No. 2015-1244 (Fed. Cir. May 12, 2016); *Bascom Global Internet v. AT&T Mobility LLC*, No. 2015-1763 (Fed. Cir. June 27, 2016); *McRO Inc. v. Bandai Namco Games America*, No. 2015-1080 (Fed. Cir. Sept. 13, 2016); and most recently concurrent with the publication of this article, *Amdocs Ltd. v. Opnet Telecom, Inc.*, No. 2015-1180 (Fed. Cir. Nov. 1, 2016). Additionally, the U.S. Patent and Trademark Office (USPTO), in the wake of *Enfish, LLC v. Microsoft Corporation*, clarified its guidance to examiners about how to judge the patent eligibility of software patents. Even some seemingly unfavorable decisions, such as *Electric Power Group, LLC v. Alstom S.A.*, No. 2015-1778 (Fed. Cir. Aug. 1, 2016), provided valuable insight into the

Federal Circuit's application of the test set forth in *Alice*. As the conditions defining software patent eligibility evolve, these holdings and USPTO memorandums serve as a guide to what the Federal Circuit believes are non-abstract, patent-eligible claims.

POST 2-YEAR ANNIVERSARY CASES *BASCOM GLOBAL INTERNET V. AT&T MOBILITY LLC*

The *Bascom* decision reversed a ruling on a Fed. R. Civ. P. 12(b)(6) motion in a decision drafted by Judge Chen of the U.S. District Court for the Northern District of California, who also penned the *DDR Holdings* opinion. In the first step of the two-step *Alice* test, the Federal Circuit found the claims to be directed to the abstract idea of filtering content on the Internet. However, in the second step of the *Alice* test, the Federal Circuit found the claims to be patent eligible because "on this limited record, this specific method of filtering Internet content cannot be said, as a matter of law, to have been conventional or generic." Here, the Federal Circuit explained that "the claims do not preempt the use of the abstract idea of filtering content on the Internet or on generic computer components performing conventional activities" because the "claims carve out a specific location for the filtering system (a remote ISP server) and require the filtering system to give users the ability to customize filtering for their individual network accounts." For example, the Federal Circuit noted that by "taking a prior art filter solution (one-size-fits-all filter at the ISP server) and making it more dynamic and efficient (providing individualized filtering at the ISP server), the claimed invention represents a 'software based invention[] that improve[s]

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the performance of the computer itself.” With respect to the district court’s analysis lacking an explanation of a reason to combine the limitations as claimed, the Federal Circuit reiterated that “the inventive concept inquiry requires more than recognizing that each claim element, by itself, was known in the art,” and that as in the instant case, “an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.” For example, in *Bascom*, the Federal Circuit noted that, although filtering content on the Internet was already a known concept, “the patent describes how its particular arrangement of elements is a technical improvement over prior art ways of filtering such content.” Increasingly, as shown in this case, the Federal Circuit is looking to the specification to provide reasoning to show support for patent eligibility.

McRO INC. V. BANDAI NAMCO GAMES AMERICA

The Federal Circuit in *McRO Inc. v. Bandai Namco Games America Inc. et al.*, reversed the U.S. District Court for the Central District of California’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 as lacking patent-eligible subject matter under 35 U.S.C. § 101 in the wake of *Alice*, and remanded for further proceedings. 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. Similar to the framework the Court 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. The Court narrowly construed the claims to be “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.” The 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.” And although claim 1 recited a genus claim, which increases the risk of preempting all techniques for automating 3-D animation that relies on rules, this does not mean claim 1 is unpatentable. The Court noted that preemption, not tangibility, is the underlying primary concern driving § 101 jurisprudence. 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. 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.” Moreover, as in *Bascom*, 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.” 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.”

PRE-2-YEAR ANNIVERSARY CASES

DDR HOLDINGS, LLC V. HOTELS.COM, L.P.

The patent at issue in *DDR Holdings* involved generating a composite webpage that retained the “look and feel” of the host website. See U.S. Patent No. 7,818,399. In holding that the claims of the ‘399 patent were patent eligible, the Court reasoned that the claimed invention was “necessarily rooted in computer technology in order to overcome a problem [(i.e., retaining website visitors)] specifically arising in the realm of computer networks.” The Court explained that the patent claims do not merely recite some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Notably, the Court appears to have arrived at this conclusion at step 2A, as depicted by the USPTO (see graphic on page 14), of the *Alice* test. Therefore, the Court concluded that the claims were simply not directed to an abstract idea. Further scrutiny in step 2B (i.e., whether the claims recited “significantly more” than an abstract idea) seemed unnecessary.

ENFISH, LLC V. MICROSOFT CORPORATION

The patents at issue in *Enfish* concerned a type of computer database program generally involving a “‘self-referential’ property of a database.” See U.S. Patent Nos. 6,151,604 and 6,163,775. The Court noted that the patents teach that the self-referential design allows for faster searching of data, more effective storage

of data, and more flexibility in configuring a database. In scrutinizing the patent claims for patent eligibility, the Court asked, at the first step (i.e. step 2A of the USPTO’s illustration) of the *Alice* analysis, whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea. The Court cautioned that viewing the claims at “a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule.” The Court held that the “focus of the claims is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.” Moreover, the Court added that “software inventions can make non-abstract improvements to computer technology just as hardware improvement can.”

OTHER USEFUL GUIDANCE FROM THE USPTO AND THE FEDERAL CIRCUIT

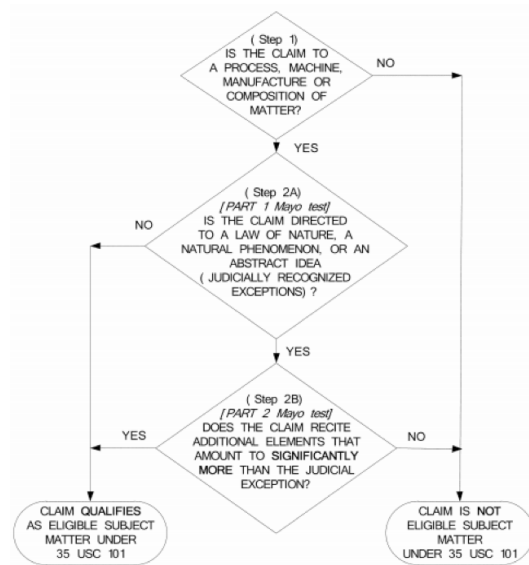
USPTO’S MAY 2016 MEMORANDUM TO EXAMINERS

Shortly after *Enfish*, the USPTO released a memorandum to its patent examiners.² In its memo, the USPTO noted that “an examiner may determine that a claim directed to improvements in computer-related technology is not directed to an abstract idea under Step 2A of the subject matter eligibility examination guidelines (and is thus patent eligible), without the need to analyze the additional elements under Step 2B.” The memo also reiterated to examiners that “when performing an analysis of whether a claim is directed to an abstract idea (Step 2A), examiners are to continue to determine if the claim recites (i.e., sets forth or describes) a concept that is similar to concepts previously found abstract by the courts.” (underlining added). Notably, although the *Enfish* court provided guidance as to how that

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Court believes the “directed to” inquiry should be applied, the USPTO’s memo simply reiterated their previous guidance without expressly including clear, additional guidance to examiners on that front.



ELECTRIC POWER GROUP, LLC V. ALSTOM S.A.

Electric Power Group (EPG) received three U.S. patents concerning “systems and methods for performing real-time performance monitoring of an electric power grid by collecting data from multiple data sources, analyzing the data, and displaying the results.” EPG argued that a benefit of its invention is to provide a “humanly comprehensible” amount of information useful for users to assess the vulnerability/reliability of a power grid, but the Court did not find that argument persuasive. In *Electric Power Group, LLC v. Alstom S.A.*, the Federal Circuit affirmed the district court’s grant of summary judgment, reasoning that although the representative claim of U.S. Patent No. 8,401,710 was “lengthy and numerous,” it was “so result-focused, so functional, as to effectively cover any solution to an identified problem,” and

thus patent ineligible. After some prefacing, the Federal Circuit agreed with the district court that “one helpful way of double-checking the application of the Supreme Court’s [two-stage *Alice*] framework to particular claims — specifically, when determining whether the claims meet the requirement of an inventive concept *in application*,” is by “invoking an important common-sense distinction between ends sought and particular means of achieving them, between desired results (functions) and particular ways of achieving (performing) them.” “[T]here is a critical difference between patenting a particular concrete solution to a problem and attempting to patent the abstract idea of a solution to the problem in general,” the district court explained, presumably relying upon the same principle of pre-emption extolled in *Alice*. When the “claims [are] so result-focused, so functional, as to effectively cover any solution to an identified problem,” then they inhibit innovation by prohibiting others from developing their own solutions to the problem.

CONCLUSION

With the most recent decision in *Amdocs* and the USPTO’s November 2, 2016 publication of a memorandum to its examiners about how they can apply *Bascom* and *McRO* to their examination, the *Alice* progeny continues to grow and mature toward a more certain path to software patent eligibility. We can look forward to further progress with forthcoming updates to the Subject Matter Eligibility guidance, as noted by the USPTO in the November 2016 memo.

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. Oral arguments were held in November 2016, and an opinion of the Court is not expected until 2017. ■

Article co-author Aseet Patel will present a Clear Law Institute webinar on post-Alice strategies at the USPTO on Jan. 18, 2017. For more information or to register for "Protecting Software Inventions: Learning From the Patents the U.S. Patent Office Has Granted Since Alice," please visit <http://clearlawinstitute.com/shop/webinars/protecting-software-inventions-learning-from-the-patents-the-u-s-patent-office-has-granted-since-alice/>.

1. See Banner & Witcoff IP Alert, "Alice Turns Two," <https://bannerwitcoff.com/ip-alert-alice-turns-two/>
2. See <http://www.uspto.gov/patent/laws-and-regulations/examination-policy/examination-guidance-and-training-materials>

BANNER & WITCOFF ATTORNEYS VISIT CAMP INVENTION AT FT. HUNT ELEMENTARY IN ALEXANDRIA, VA.

Robert S. Katz, Nigel Fontenot, Shambhavi Patel and Camille Sauer visited elementary school students at Camp Invention at Fort Hunt Elementary in Alexandria, Va., on Aug. 4.

Created by the National Inventors Hall of Fame, Camp Invention is a weeklong summer enrichment program that partners with schools nationwide to reinforce the traditional school year with Science, Technology, Engineering and Math (STEM) concepts. Students not only focus on STEM enrichment, but also on entrepreneurship, creativity and innovation, and professional development.

Banner & Witcoff's Pro Bono Committee, chaired by Darrell G. Mottley, supports and works with Camp Invention to teach students about intellectual property and related skills.



From left to right, Camille Sauer, Robert S. Katz, Shambhavi Patel and Nigel Fontenot visit with students at Camp Invention.