IP Alert: Federal Circuit Hears Oral Arguments in McRO v. Namco Bandai: Will Patent-Eligibility of Computer Software Survive?

FEDERAL CIRCUIT HEARS ORAL ARGUMENTS INMCRO V. NAMCO BANDAI: WILL PATENT-ELIGIBILITY OF COMPUTER SOFTWARE SURVIVE?

By Ross A. Dannenberg

In the wake of the Supreme Court's 2014 decision in Alice Corp. v. CLS Bank, courts have been struggling to define the line between abstract idea and patent-eligible invention. The Federal

Circuit on Friday, December 11, heard oral arguments in McRO Inc. v. Bandai Namco Games America Inc. et al., a case that has the potential to make that line a bit clearer. If you're already familiar with the posture of this case, you won't miss anything if you skip to Section 2, infra.

CASE HISTORY

McRO, Inc. (d/b/a PlanetBlue), was founded in 1988 by inventor Maury Rosenfeld, a special effects designer whose credits include "Star Trek: The Next Generation" and "Pee Wee's Playhouse." Rosenfeld has two patents on technology for automatically animating lip synchronization and facial expressions of animated characters, a technique commonly used in video game development. Many video game developers previously hired PlanetBlue to do the animation and lip synchronization. However, McRO filed suit against various developers in December 2012, after they allegedly started using the technology on their own without paying a license fee.

The patents in suit are 6,307,576 and 6,611,278. A representative claim from the '278 patent reads:

> 1. A method for automatically animating lip synchronization and facial expression of three-dimensional characters comprising:
>
> obtaining a first set of rules that defines a morph weight set stream as a function of phoneme sequence and times associated with said phoneme sequence;
>
> obtaining a plurality of sub-sequences of timed phonemes corresponding to a desired audio sequence for said three-dimensional characters;
>
> generating an output morph weight set stream by applying said first set of rules to each sub-sequence of said plurality of sub-sequences of timed phonemes; and
>
> applying said output morph weight set stream to an input sequence of animated characters to generate an output sequence of animated characters with lip and facial expression synchronized to said audio sequence.

McRO's 16 cases were consolidated before U.S. District Judge George H. Wu of the Central District of California. On September 22, 2014, Judge Wu held that in view of the Supreme Court's recent decision in Alice barring patents on computer-implemented abstract ideas, McRO Inc.'s animation patents merely describe an automated process to the manual animation methods studios previously used. Judge Wu held that the novelty in McRO's idea was using rules to automate the selection and morphing of single animation frames tied to a specific sound, changing a character's lips from closed to open to show the sound "moo," for example. However, the patents only discussed the automated rules "at the highest level of generality," according to Judge Wu. The users must come up with their own rules, according to Judge Wu, while the provided rules were

mere examples and only partially complete. Judge Wu stated “this case illustrates the danger that exists when the novel portions of an invention are claimed too broadly.” McRO appealed to the Federal Circuit.

FEDERAL CIRCUIT ORAL ARGUMENTS

Circuit Judges Reyna, Taranto and Stoll heard oral arguments in this matter, with Judge Taranto being the most vocal of the three. The most telling portions of the oral argument are the questions posed by the judges, which we address below.

Judge Taranto’s questions concentrated on the differences between the technology at issue in this case and the technology at issue in previous cases such as Flook, as well as various comparisons to other technologies that use rules-based decision-making, such as autopilot software and facial recognition software. Judge Taranto was also concerned with how to determine when the production of a physical item (which the court considers lip-synched animation to be) can be an abstract idea as a whole, versus when the production of the physical item merely uses an abstract idea. The supposition is that it’s hard to prove that something is merely an abstract idea when it results in a physical item being produced. Judge Taranto also questioned whether the genus of a species is always abstract, or whether the genus itself can also be patent-eligible.

Judge Reyna asked multiple questions regarding whether the district court erred procedurally. First, Judge Reyna posed a question regarding whether Judge Wu erred by stripping out portions of the claims found in the prior art, or whether claims must be considered as a whole when determining eligibility under 35 U.S.C. § 101. Judge Reyna also seemed concerned that Judge Wu added a third step to the Supreme Court’s two-step process articulated in Alice.

Judge Stoll was the only judge who appeared to be interested in how to improve patent-eligibility determinations under Section 101. Judge Stoll asked both parties what test could be used to perform subject-matter eligibility determinations that comports with the Alice case, while also asking the appellant (McRO) what test the district court should have used based on the McRO’s argument that the district court erred in the first place. Judge Stoll was also interested to hear what the appellee (Namco Bandai) thought would need to be added to the claims—short of claiming every actual rule needed to perform automated lip synchronization and animation—before the claims would be considered subject matter eligible under Section 101.

This case is important because of the level of detail with which the computer software is claimed in the patent. The software is claimed using descriptive language to recite a specific method (or algorithm) the software performs to automate the animation and lip synchronization. Most patent practitioners agree that the level of detail used in the claims in the McRO patents is commensurate with the level of detail used in hundreds of thousands of issued software patents. Indeed, even the

appellee admitted during oral arguments that the claims at issue in this case are more “dense” than claims typically challenged under 35 U.S.C. § 101. If the Federal Circuit affirms the district court based on the level of detail with which the invention is claimed in this case, then the validity of some of those other patents is more easily called into question. However, those patents remain valid until shown otherwise in court or through a USPTO inter partesreview proceeding.

Despite this prospect, in view of the overall tone of the questions, the panel seems more likely than not to reverse the district court’s holding of invalidity under Section 101, and remand this case for further proceedings to reassess 101 eligibility using the correct standard, and/or also to determine infringement and validity under 35 U.S.C. §§102-103 (novelty and obviousness). There were several unanswered questions regarding issues such as the incorrect application of Supreme Court precedent in Alice, stripping claims of “prior art” subject matter before performing the analysis, and adding an improper third step to the Supreme Court’s two-step analysis to lead one to believe that the court is likely to do otherwise.

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