

How to Practice Patent Law *After Alice*



Charles Bieneman
Bejin Bieneman PLC



Richard Holzer
HolzerIPLaw, PC



John Kong
Westerman, Hattori, Daniels and Adrian, LLP

IPLegalNetwork

Agenda

- Effect of *Alice* on Section 101 & Strategies to Survive *Alice* (John Kong)
- Selecting Inventions for Patenting and Patent Drafting (Richard Holzer)
- Issued Patents After *Alice* (Charles Bieneman)

Effect of Alice on Section 101 & Strategies to Survive *Alice*

John Kong

Westerman, Hattori, Daniels and Adrian, LLP



Pre-Alice re §101

- *Benson* (1972); *Flook* (1978); *Diehr* (1981)
- *In re Alappat - en banc* 1994 Federal Circuit decision re §101 for an apparatus claim:
 - “programming creates a new machine, because a general purpose computer in effect becomes a **special purpose computer** once it is programmed to perform particular functions pursuant to instructions from program software”
 - “a computer operating pursuant to software may represent **patentable subject matter**”

Pre-Alice re §101

- *Bilski* (2010):
 - Federal Circuit’s “Machine or Transformation” test: a claimed process is patent eligible if (1) tied to a particular machine or apparatus, or (2) transforms a particular article into a different state or thing
 - Federal Circuit’s MoT test is not the sole test for determining §101
 - Not enough to limit to a field of use or add token post-solution features
 - **“And nothing in today’s opinion should be read as endorsing interpretations of §101 that the [Fed. Cir.] has used in the past.”**
- *Mayo* (2012):
 - Simply appending conventional steps, specified at a high level of generality, is not enough to save a claim to a law of nature
 - Recognized overlap between §101 and novelty for evaluating significance of additional steps
- What about a “special programmed computer” *machine*?

Alice is a Game Changer

- S. Ct. recognizes that a “computer” is a machine – one of the statutory classes for patent eligible subject matter, BUT:
- “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention”
- death of “special programmed computer” as justification of patent eligibility under §101?

S. Ct.'s §101 Test

- *Mayo* applies:
 1. Determine whether the claims at issue are directed to one of the patent-ineligible concepts (law of nature, natural phenomena, abstract idea).
 2. If yes, then is there an “***inventive*** concept”? – does the claim include an element or a combination of elements that is sufficient to ensure that the claim amounts to ***significantly more*** than a claim to the ineligible concept itself.

S. Ct.'s §101 Policy

- There is an implicit exception to patentable subject matter under §101 for laws of nature, natural phenomena, and abstract ideas.
- A patent on these would impede innovation more than promote it – contrary to the primary objective of patent law.
- Must distinguish between claims to the building blocks of human ingenuity and those that integrate the building blocks into something more - the former would risk disproportionately tying up the use of the underlying ideas.
- S. Ct.'s concern is that patent law not inhibit further discovery by improperly tying up the future use of building blocks of human ingenuity.

§101 Test – Step 1

- S. Ct. avoids the question as to the scope of the “abstract idea” for this part of the §101 test – “We need not labor to delimit the precise contours of the ‘abstract ideas’ category in this case.”
- Examples of an abstract idea:
 - fundamental/longstanding economic practices
 - certain methods of organizing human activity
 - an idea of itself
 - mathematical relationships/formulas

§101 Test – Step 2

- What is NOT “significantly more”:
 - simply stating the abstract idea and adding “apply it” (*Mayo*) or “apply it with a computer” (*Bilski, Alice*)
 - simply appending **conventional** steps, specified at a high level of generality (*Mayo*)
 - simply implementing a mathematical principle on a computer (*Benson*)
 - limiting use of the abstract idea to a particular technological environment (*Flook*)
 - **generic** computer implementation of the abstract idea (*Bilski, Alice*)

§101 Test – Step 2

- What may be “significantly more”:
 - improving another technology or technical field – e.g., *Diehr* - using a mathematical equation in a process for determining when to open a rubber-molding press designed to solve a technological problem in conventional industry practice
 - improving the functioning of the computer itself
 - meaningful limitations beyond generally implementing the abstract idea via a computer (or otherwise generally linking it to some technology)

Software Patents Are NOT Dead

- S. Ct. also stated: “many **computer-implemented** claims are formally addressed to **patent-eligible subject matter**.”
- At oral arguments before the S. Ct.:
 - Justice Ginsburg asked if there is any “**special software**” here.
 - Justice Scalia said “we haven’t said that you can’t take an abstract idea and then say here is **how** you use a computer to implement it” and considered it favorable if there was some “serious program” involved, and not just using a computer.
 - Justice Kennedy commented that a computer is necessary to make the invention work, “but the innovative aspect is certainly not in the creation of the **program** to make that work.”
 - Justice Kagan challenged *Alice*’s counsel, “your patents really did just say do this on a computer, as opposed to saying anything substantive about **how** to do it on a computer.”

Surviving §101 Step 1

- §101 Step 1 is asking “*whether*” the claim is directed to a **patent ineligible** abstract idea – not “*what*” is the abstract idea.
 - Every invention can be characterized at some level as an abstract idea
 - “Patent ineligible” abstract idea must be “fundamental,” “building blocks of human ingenuity,” “basic tools of scientific and technological work”
- Is the alleged abstract idea tied to actual claim language?
- Any evidentiary support for the asserted “abstract idea” being “fundamental” or “building block”? (S. Ct. cited 3 refs).
- Machine or Transformation Test applicable?
- Cannot be done by human, in one’s mind, or by paper and pen
- An “abstract idea” at a high level of generality makes for an easier §101 Step 2 “significantly more” analysis.

Ex Parte Cote (PTAB)

Decided September 3, 2014

3. A method of using clusters in electronic design automation, the method comprising:

receiving data for a plurality of bins, each bin including a plurality of clusters, each cluster representing a plurality of shapes in an original layout, the plurality of shapes having a proximity to each other determined by a grow operation; and

using a computer, preparing a phase shifting layout for the original layout by phase shifting each of the plurality of clusters independently of one another.

the invention



Ex Parte Cote (PTAB)

Decided September 3, 2014

- Decision on appeal from a final Office Action. New grounds of rejection based on §101 and *Alice*.
- Abstract idea = independently phase shifting each of a plurality of clusters which each represent a plurality of shapes having a proximity to each other determined by a grow operation - this is the invention!
- Not an “abstract idea” directed to fundamental principles, building blocks, or basic tools. And, no supporting evidence of this abstract idea being fundamental.
- Example of ***an overly narrow abstract idea***. Almost impossible to identify anything “significantly more.”
- Better starting point would be a high level abstract idea of “electronic design automation.”

PNC v Secure Access (PTAB)

Decided September 9, 2014

- CBM instituted on §103, not on §101
- **NO §101 Step 1 abstract idea!**
- PTAB Panel does limited claims construction first, and looks at the claim ***as a whole*** re §101 Step 1
- As a whole, claim 1 “relates to a computer-implemented method to transform data in a particular manner – by inserting an authenticity key to create formatted data, enabling a particular type of computer file to be located and from which an authenticity stamp is retrieved.”
- ***Not*** like *Alice* or *Bilski* - a “***fundamental economic practice***” or a “***building block*** of the modern economy”
- ***No*** “***sufficient persuasive evidentiary support***” that alleged abstract idea of “placing of a trusted stamp or seal on a document” is a “fundamental economic practice” or a “building block of the modern economy”

PNC v Secure Access (PTAB)

Decided September 9, 2014

- PTAB panel distinguishes CyberSource (mere collection and organization of data does not satisfy the transformation prong in the MoT test) and Grams (data gathering steps ineligible):
 - CyberSource’s claim not ineligible abstract idea merely because of manipulation or reorganization of data, but ALSO because it could be ***performed in the human mind – not so here***
 - Claim recites “***transforming***...at an authentication host computer” and “returning...from the authentication host computer” – ***not just data gathering***
- Satisfies transformation prong of MoT test:
 - Claim recites “***transforming***” one thing (received data) “to ***create***” something else (formatted data) and a ***particular manner of transforming*** (by inserting an authenticity key)

Helios v Spectorsoft (D. Del.)

Decided September 18, 2014

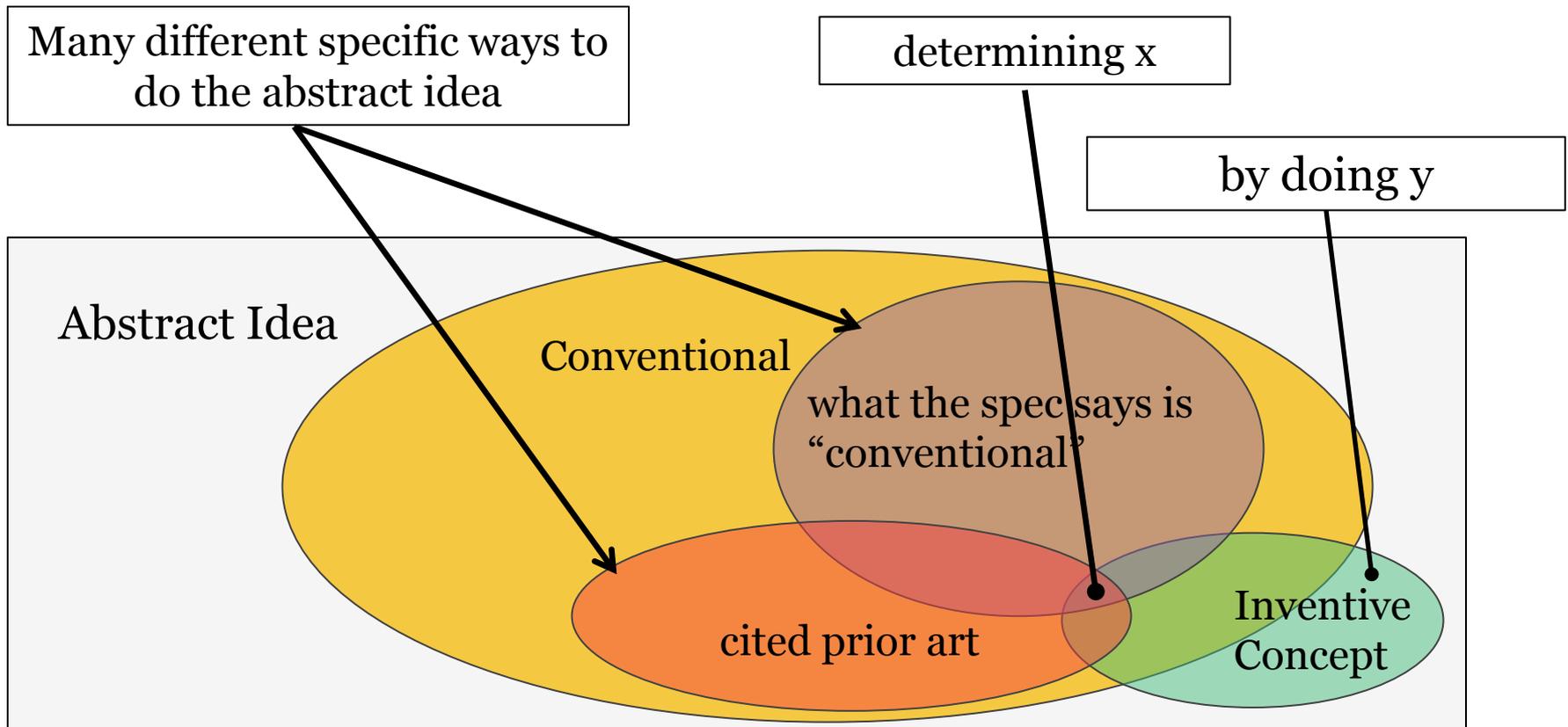
- Defendant “***makes no effort to show*** that [the asserted abstract ideas] are ***fundamental truths or fundamental principles*** the patenting of which would pre-empt the use of ***basic tools of scientific and technological work.***”
- ***No support*** provided that the asserted abstract idea of “remotely monitoring data associated with an Internet session” or “controlling network access” were ***fundamental principles*** in the ubiquitous use of the internet or computers in general.
- Satisfies machine prong of MoT test:
 - Access configurations and communication protocols that control computer network access and monitoring are meaningful limitations that tie the claimed method to a machine.
- None of the limitations could be performed by a human alone.

Surviving §101 Step 2

- The S. Ct. has now twice (*Mayo*, *Alice*) reinforced the potential overlap between §101 and novelty in searching for the “***inventive*** concept” and whether there is “significantly more” beyond the abstract idea. Take advantage of it.
- Unknown world of “conventional” for the abstract idea
 - the prior art can serve as the basis for comparison
 - the prior art is “more”/narrower than the abstract idea since the prior art identifies different specific ways for carrying out/achieving the abstract idea
 - the invention is “more”/narrower than the prior art, and therefore, “significantly more”/significantly narrower than the abstract idea
- Patentability already requires the invention to distinguish over prior art, so no demerit for turning §101 step 2 into a modified prior art analysis.

Surviving §101 Step 2

- No preemption nor disproportionate tying up:



Surviving §101 Step 2

- Support for the inventive concept being “significantly more”/narrower than the abstract idea:
 - Identify claimed features that define the computer’s participation (e.g., determining x **by doing y**)
 - describe technological problems in the “conventional art” overcome by this claimed feature
 - identify how the computer’s functionality is improved in the context of the claimed feature and the technological problems solved

Surviving §101 Step 2

- More a draftsman's art now than ever before
- Don't just claim the “calculating” or “determining” and stop (*Flook*) – claim also the application of the result to solve some technological problem (e.g. controlling the opening of the rubber mold press in *Diehr*).
- Claim the specific “how” of the invention and explain why that is an improvement in computer functionality and/or why that “how” makes the computer no longer “generic”
- Add dependent claims for increasingly detailed specifics of that “how”
- Hardware/computer must still be recited (otherwise, just a mental process and/or something done by paper and pencil)

Salesforce.com v Virtualagility

Decided September 16, 2014

- a CBM Final Decision
- Method and apparatus for managing collaborative activity (e.g., strategic planning and project management)
- Abstract idea = the creation and use of models to aid in processing management information by organizing and making the information readily accessible by the collaborators of the project.
- Claimed computer components and computer operations are generic
- Claims do not recite any ***specialized algorithm that could move the claim from abstract to concrete.***
- Simply executing an abstract concept on a computer does not render a computer “specialized.”

Card Verification v Citigroup (ND. III)

Decided September 29, 2014

- Abstract idea = transaction verification – a fundamental economic practice
- Satisfies transformation prong of MoT test:
- “the claimed invention goes beyond manipulating, reorganizing, or collecting data by actually adding a new subset of numbers or characters to the data, thereby **fundamentally altering** the original confidential information
- “patent not only recites a process for verifying transaction information, it also involves **a protocol for making the communication system itself more secure**. ...even though the method does not result in the physical transformation of matter...it utilizes a system for modifying data that may have a concrete effect in the field of electronic communications”

Card Verification v Citigroup (ND. III)

Decided September 29, 2014

- A mental process/done by pen and paper? “Here, an entirely plausible interpretation of the claims include a limitation requiring ***pseudorandom tag generating software*** that ***could not be done with pen and paper.***”
- Survived motion to dismiss on the pleadings – where reasonable inferences are made in favor of the non-movant for all facts in dispute. Will this patent survive further?

Surviving §101 Step 2

- *In re Alappat* not dead?
 - “special programmed computer” resulted from interpretation of a Means-Plus-Function claim element according to 35 USC 112, 6th ¶ (pre-AIA) or 112 (f) – which requires the corresponding structure (and equivalents thereof) **disclosed in the spec** for performing the claimed function
 - limited to algorithm disclosed in spec for computer-implemented MPF element - *Aristocrat* (2008)
 - no S. Ct. decision addressing §101 in the context of a MPF claim element
 - Judges Rader and Moore identified *Alice* dependent claims that recited MPF claim elements that are limited to the algorithm disclosed in the spec - completely ignored by S. Ct.

Surviving §101 Step 2

- Include an independent claim using MPF elements
 - Preserves the option to argue the “significantly more”/”meaningful limitation” can be found somewhere in the algorithm defining the MPF claim element
 - a robust specification should include a multi-tiered disclosure of supporting algorithm at different levels of detail and with different alternatives – to preserve some scope of protection, as well as to include more potential candidates for “significantly more” at varying degrees of detail.

Take-Aways

- Six strategic arguments for surviving §101 step 1 (seven, if you read my article).
- A new objective strategic argument for surviving §101 step 2.
- Heightened focus on the “how” of software, and the technological link.
- MPF may still benefit from “special programmed computer” rationale for surviving §101.
- Argue everything. Try everything. Don’t know what sticks yet.
- Expect more decisions refining application of *Alice*.

Selecting Inventions for Patenting and Patent Drafting Tips

Richard Holzer
HolzerIPLaw, PC



Selecting Appropriate IP Protection for Innovation

- Consider all IP options
 - Patents
 - Copyrights
 - Trademarks
 - Trade secrets
 - Strong contractual foundations
 - Different protections in different jurisdictions

IP Portfolio Development

- Portfolio approaches and values vary
- Common themes
 - Detection and enforcement
 - Choosing the right IP protection for individual innovations in a product or service
 - Budgetary constraints
 - Patentability
 - Sections 102, 103, and 112
 - Section 101 now looms as a **significant** consideration

Patent Eligibility

- Traditional categories of unpatentable subject matter (“the basic tools of scientific and technological work” - *Mayo*)
 - Laws of nature
 - Natural phenomena
 - Abstract ideas
- Recent §101 decisions expand/blur the categories

Patent Eligibility

- Supreme Court's *Mayo* Test
 - Step 1: whether the claim is directed to a patent ineligible subject matter (extends to more than just abstract ideas)
 - Step 2: if so, then is there an “inventive concept”?
 - a claimed element or combination of elements that is sufficient to ensure that the claim amounts to “significantly more” than a claim to the ineligible concept itself.

Subject Matter Known to be at Risk

- Categories already feeling the Sting
 - Medical diagnostic patents (*Mayo* – Law of Nature)
 - Gene patents (*Myriad* – Natural Phenomena)
 - Software patents (*Alice, Bilski* – Abstract Idea)
 - Business method patents (*Alice, Bilski* – Abstract Idea)

Surprising USPTO Results

- Recently rejected as directed to patent ineligible “laws of nature” or “natural phenomena”*
 - Method to improve immune response in vaccines
 - Drug for prevention/treatment of dust mite allergy
 - Anti-cancer drug purified from a marine sponge
 - An E. Coli vaccine

*Source: Bernard Chao (U. of Denver Sturm College of Law) and Lane Womack (Kilpatrick, Townsend & Stockton L.L.P.)

To Patent or Not to Patent

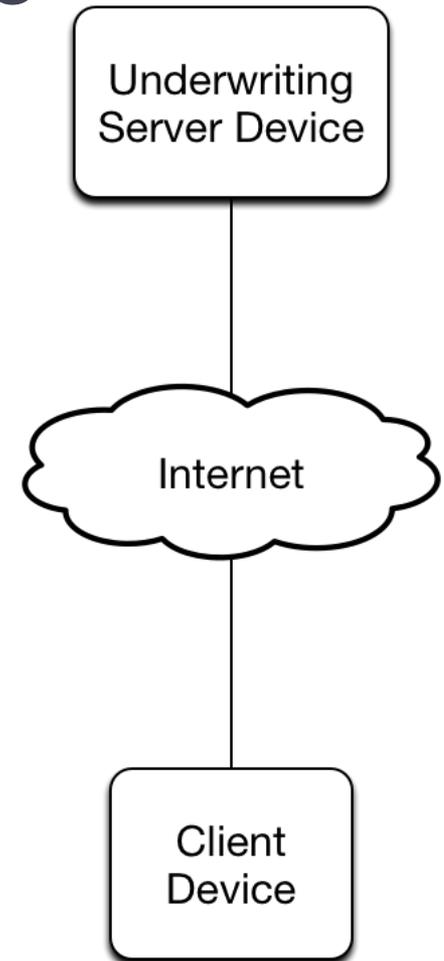
- §101 law is still poorly defined and evolving
- USPTO examination under §101 varies widely
- USPTO examination differs from PTAB and Court analysis
 - Result: A granted patent may receive very different treatment after issuance than it did during examination.

Specific Considerations

- Business objectives
- Budgetary constraints
- Detectability/enforceability
- Ability/willingness to litigate
- Desire for international protection
- Reverse-engineering
- Level of technical detail available from inventors
- Category of technology – Patent ineligible subject matter?

Technical Example

- “Super Accurate Underwriting System in the Cloud”
 - Detectability
 - Single Infringer?
 - Infringer’s geographic location
 - Possibility of reverse engineering
 - Level of technical implementation detail available



Technical Example (cont.)

- Will the claim pass a “a technological arts test for patent eligibility”? (Mayer concurrence in *Ultramercial III*)
- Can you articulate HOW the claim might pass the Mayo test?

Summary

- Select “inventions” based on whether you can:
 - exclude patent ineligible subject matter; or (at least)
 - point to elements that are “significantly more” than a claim to patent ineligible subject matter
 - pass a technological arts test
 - avoid being drawn into risky categories
- Consider trade secrecy vs. patenting

Tips on Drafting Applications

- More technical detail and terminology in description, drawings, and claims
- Describe/claim “how” to implement the invention (e.g., how to program it on a computer - SCOTUS questions during Alice appeal)
- Set the application up to pass the Mayo test or a “technological arts” test
- Consider the “Technical Effect” requirement from the EPO

More Technical Description and Drawings

- Provide more technical detail and implementation
 - Don't rely as much on the skilled artisan
 - Avoid a “high level of generality” – Mayo
 - Describe HOW you implement – SCOTUS questions in Alice
 - Favor more technological drawings with less emphasis on broadly functional, “black box” drawings
 - Identify your own “inventive concept”

Terminology

- Avoid certain words in title, specification, drawings, and claims
 - E.g., advertising, business, modeling, presentation of information, market, game, business, payment, commercial
- Avoid ambiguous terms without more
 - E.g., controller, manager, processor
- Use concrete technical examples and technically familiar and/or definable terms

More “Technical” Claim Language

- In at least one independent claim
 - Recite claim to exclude patent ineligible subject matter
 - Include a “technical” inventive concept for the examiner/judge to latch onto
 - Use technical terminology in claims; rely less on being your own lexicographer
- In dependent claims
 - Provide unequivocally-technical fallback positions
- Preambles may become more important
 - Direct the claim to your “inventive concept”
 - Try to prevent the examiner/judge naming the “inventive concept”

Consider EPO Requirements

- EPO will not search or examine:
 - PCT applications containing one or more claims relating to the field of “business methods” filed at US Receiving Office (Annex A of EPO/IB of WIPO Agreement)
 - International Patent Classification G06Q
 - Data processing systems or methods that are specially adapted for managing, promoting or practicing commercial or financial activities

Business Methods - International Patent Sub-Classifications

- Specially-adapted Data Processing Systems/Methods
 - Administration and Management (Go6Q 10/00)
 - Commerce(Go6Q 30/00)
 - Finance(Go6Q 40/00)
 - Systems/Methods directed to specific business sector (Go6Q 50/00)
 - Systems/Methods specifically adapted . . . (Go6Q 90/00)
 - Other (Go6Q 99/00)

Subject Matter not considered an Invention by EPO

- EPC Art. 52(2)
 - Scientific or Mathematical Theories
 - Mental Acts; Rules for Playing Games
 - Mere Presentation of Information
 - Computer Programs for Business Methods
- A further “technical effect” may avoid these exclusions

How to Draft for Technical Effect

- General Rule
 - Intellectual activity and business methods are excluded from patent eligibility unless a “technical effect” is claimed.
 - A “technical effect” improves a device or system, for example:
 - Improving operation vs. simply making a decision
 - Increasing speed, reliability, security
 - Improving resource utilization

How to Draft for Technical Effect

- Specific suggestions
 - Include a “technical effect” description in the application
 - At least describe a technical effect that improves a device or system
 - Recite a “technical effect” in the preamble
 - Recite a “technical effect” in a claim element

Technical Effect Example 1

1. A system for allocating memory resources in a computing device, the system comprising:

- Element A;
- Element B; and
- Element C.

Technical Effect Example 2

2. A system comprising:

- Element A;
- Element B; and
- Element C that allocates the memory resources of the computing device according to the updated resource allocation condition.

Technical Effect Example 3

Detailed Description

The described technology provides improved memory allocation within a computing device.

Summary – Drafting Tips

- Attempt to exclude patent ineligible subject matter
- Identify your own “inventive concepts”
- Consider the “Technical Effect” test from EPO – **“technical effect” may correlate to “inventive concept”**
- Avoid risky terminology that invokes patent ineligible subject matter
- Provide robust “technological arts” test opportunities – more technical detail

Issued Patents After *Alice*

Charles Bieneman

Bejin Bieneman PLC

The Software Intellectual Property Report

swipreport.com

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Paths to Section 101 Invalidity of Issued Patents

- Covered Business Method Review
 - Implemented in the America Invents Act (AIA)
 - Administrative proceeding at the USPTO's Patent Trial and Appeal Board (PTAB)
- U.S. District Court action
 - Asserted like any other invalidity defense: in a DJ or as an affirmative defense to patent infringement.

Paths to Section 101 Invalidity: CBM

- Available to “the person or the person's real party in interest or privy [who] has been sued for infringement of the [CBM] patent or has been charged with infringement under that patent.”
- “[T]he term ‘covered business method patent’ means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.”
- Two steps: (1) Decision to Institute, and (2) Final Decision.
- Stay of District Court litigation not automatic, but likely.

PTAB Final Decisions Post-Alice

- *Salesforce.com, Inc. v. VirtualAgility, Inc.* (Sept. 16, 2014)
 - Representative claim was directed to a “system for supporting **management of a collaborative activity by persons involved therein**,” using “model entities” that could be organized hierarchically to support **budgeting, investment analysis, and strategic planning**.
 - Claimed abstract idea was “the creation and use of models to aid in processing management information by organizing and making the information readily accessible by the collaborators of the project.”
 - Claims were “overly broad in scope and essentially would preempt the entirety of [the] abstract idea;” there was no saving narrowing innovation.

PTAB Final Decisions Post-Alice

- *U.S. Bancorp v. Retirement Capital Access Management Company* (Aug. 22, 2014)
- Representative claim directed to “computerized method for creating a source of funds based on present value of future retirement payments.” (Probably enough said.)
- Parties agreed the claims were “directed to the abstract concept of advancing funds based on future retirement payments.”
- No meaningful limitation on abstract idea: “the steps of method claims 1 and 18 could be performed as a series of verbal transactions exchanging physical money or via pen and paper.

PTAB Decisions to Institute

- More likely than not that the following are unpatentable:
- Method of conducting a telephone based reverse auction for selling units. *Jewelry Channel, Inc. v. America's Collectibles* (Oct. 20, 2014).
- “[D]etermining shipping or tax rates for an online auction item.” *eBay, Inc. v. Paid, Inc.* (Sept. 30, 2014).
- “Procuring operating resources as disclosed in the challenged claims is ‘a fundamental economic practice long prevalent in our system of commerce.’” *Coupa Software, Inc., v. Ariba, Inc.* (July 25, 2014).
- “[A]bstract idea of matching a candidate with an employer and releasing the contact information upon consent from both parties and payment of a fee by the employer.” *Indeed, Inc. v. Career Destination Development, LLC* (August 20, 2014).

PTAB Decisions Not to Institute

- *US Bancorp v. Solutran* (Aug. 7, 2014).
 - Claims directed to “a system and method for processing paper checks and check transactions, in which check data is captured at point of sale and later a check image is captured remotely for subsequent matching of the check image with the check data.”
 - Petitioner’s arguments failed “because they are directed to each method step individually without accounting sufficiently for the claims as a whole.”
 - “[P]rocessing paper checks” is “more akin to a physical process than an abstract idea.”
 - Some fundamental concepts were recited, but claims also recited scanning checks and comparing digital images.
 - CBM was instituted on prior art obviousness question.

PTAB Decisions Not to Institute

- *PNC v. Secure Access* (Sept. 9, 2014).
 - “Claim 1, as a whole, relates to a computer-implemented method to transform data in a particular manner—by inserting an authenticity key to create formatted data, enabling a particular type of computer file to be located and from which an authenticity stamp is retrieved. On its face, there is nothing immediately apparent about these physical steps that would indicate the claim is directed to an abstract idea.”
 - Rejected the Petitioner’s argument that claim 1 was nothing more than the abstract idea of “computerizing a purported centuries-old practice of placing a trusted stamp or seal on a document to indicate the authenticity of the document.”
 - CBM instituted for obviousness prior art challenge.

Federal Circuit after *Alice*

Not patent eligible:

- *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.* (July 11, 2014) -- device profile including “both spatial properties and color properties of an imaging device.”
- *Planet Bingo, LLC v. VKGS LLC* (Aug. 26, 2014) – managing the game of bingo “consists solely of mental steps which can be carried out by a human using pen and paper.”
- *Buysafe, Inc. v. Google Inc.*, (Sept. 3, 2014) – “providing a guaranty service for online transactions”

Ultramercial: the History

- *Ultramercial, Inc. v. Hulu, LLC* (Nov. 14, 2014) – “method for distribution of products over the Internet via a facilitator,” i.e., to monetize content.
- A tortured history:
 - 2011 – Fed. Cir. upholds claims.
 - 2012 – S. Ct. vacates and remands.
 - 2013 – Fed. Cir. does it again.
 - 2014 – S. Ct. again vacates and remands.
 - 2014 – Fed. Cir. invalidates.

Ultramercial, the Final Holding

- “The **process [steps]** of receiving copyrighted media, selecting an ad, offering the media in exchange for watching the selected ad, displaying the ad, allowing the consumer access to the media, and receiving payment from the sponsor of the ad **all describe an abstract idea, devoid of a concrete or tangible application.**”
- “[T]he claims simply instruct the practitioner to implement the abstract idea with routine, conventional activity. None of these eleven individual steps . . . transform the nature of the claim into patent-eligible subject matter.”

Ultramercial: Judge Mayer Concurs

- “I agree that the claims . . . are ineligible for a patent, but write separately to emphasize three points.”
 - First, whether claims meet the demands of **35 U.S.C. § 101 is a *threshold question***, one that must be addressed at the outset of litigation.
 - Second, ***no presumption of eligibility attends the section 101 inquiry***.
 - Third, [Alice], for all intents and purposes, ***set[s] out a technological arts test for patent eligibility***.
 - “Because the purported inventive concept in *Ultramercial*’s asserted claims is an entrepreneurial rather than a technological one, they fall outside section 101.”
- Legally wrong but often practically correct?

DDS Holdings (Dec. 5, 2014)

(Or, Holy One-Eighty, Batman!)

- Patent claims at issue were directed to managing the look and feel of e-commerce web pages to provide “store within a store” functionality to product pages.
- Majority (Judges Chen and Wallach) didn’t fully reach abstract idea question because the claims addressed the “problem of retaining website visitors,” which had no analog in the bricks-and-mortar world.
 - Judge Mayer dissented: claimed abstract idea is “that an online merchant’s sales can be increased if two web pages have the same “look and feel”—and apply that concept using a generic computer.”
- Thus, majority stated that “the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”
 - Problem was “the problem of retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host’s website after ‘clicking’ on an advertisement and activating a hyperlink.”

Reconcile DDS and Ultramercial?

- Not possible, in this presenter's view.
- Judge Chen: *Ultramercial* claims “broadly and generically claim ‘use of the Internet,’” whereas *DDS Holdings* claims “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.”
- Judge Mayer did not bother to mention *Ultramercial*: the DDS patent claims simply took the old and well-known idea of having a “store within a store” and applied it to the Internet.
 - Reiterated that under *Alice* the appropriate test was a “technological arts” test.

Paths to Section 101 Invalidation: US District Courts

- Post-*Alice* Section 101 patent-eligibility decisions in the district courts are running about 4-1 against.
- Before claim construction – Rule 12
 - 12(b)(6) – failure to state a claim.
 - 12(c) – judgment on the pleadings.
 - Remember, the patent(s)-in-suit are part of the pleadings.
 - Can convert to Rule 56 Summary Judgment motion.
- Before or after claim construction – Rule 56

Rule 12 Motion Granted

- *McRo, Inc. v. Codemasters Inc.* (C.D. Cal. Sept. 22, 2014).
 - Granted Rule 12(c) motion where claims were directed to a method for automatically performing lip and facial expression synchronization for animated characters to provide a more natural correspondence between the animated characters and recorded sounds.
 - Notably, Judge Wu rejected the defendant's arguments "that the patents cover the mere idea of using rules for three-dimensional lip synchronization, without requiring specific content for those rules;" the claims each covered a specific "approach to automated three-dimensional computer animation."
 - BUT: once the court, analyzing the claims element-by-element, stripped away prior art methods admitted in the patents, what was left was an unpatentable abstract idea: "what the claim adds to the prior art is the use of rules, rather than artists, to set the morph waits and transitions between phonemes."
 - Judge Wu quotes Bob Dylan: "A change in the weather has known to be extreme." (*You're a Big Girl Now* from *Blood on the Tracks.*)

Rule 12 and 56 Motions Granted

- *Tuxis Techs. v. Amazon* (D. Del. Sept. 3, 2014). Motion to dismiss granted: claims directed to an e-commerce method of upselling recited an unpatentable abstract idea.
- *Eclipse IP LLC v. McKinley Equip. Corp.* (C.D. Cal. Sept. 4, 2014). Motion to dismiss granted: motion was ripe before claim construction; claims directed to a computer-implemented method of managing communications related to people performing tasks were patent-ineligible.
- *Digital v. Google, Inc.*, (D. Del. Sept. 3, 2014). Summary judgment granted: claims for allowing anonymous communications, were directed to methods that human job headhunters had been manually performing for years.
- *Every Penny Counts v. Wells Fargo Bank, N.A.* (M.D. Fla Sept. 11, 2014). Summary judgment granted where patent claims were drawn to “the concept of routinely modifying transaction amounts and depositing the designated, incremental differences into a recipient account,” “a technique known from antiquity in which a small saving on many occasions accumulates into a large saving.”
- *DietGoal Innovations LLC v. Bravo Media LLC* (S.D.N.Y. July 8, 2014). Summary judgment granted: claims were directed to a computerized meal planning system.
- *Comcast IP Holdings I, LLC v. Sprint Communs. Co. L.P.* (D. Del. July 16, 2014.) Summary judgment granted: claims were directed to receiving a user input to optimize a telephony network were held not patent-eligible.

Rule 12(b)(6) Motions Denied

- *Card Verification Solutions, LLC v. Citigroup Inc.* (N.D. Ill. Sept. 29, 2014).
 - Claims recited methods such as “giving verification information for a transaction between an initiating party and a verification-seeking party, the verification information being given by a third, verifying party, based on confidential information in the possession of the initiating party.”
 - “[T]he claims are drawn to the **concept of verifying transaction information**,” which was a fundamental economic practice, and therefore an “abstract idea.”
 - But: “an entirely plausible interpretation of the claims include a limitation requiring pseudorandom tag generating software that could not be done with pen and paper.”
 - The defendant was free to revive its argument “after discovery and claim construction.”
- *Data Distrib. Techs., LLC v. Brer Affiliates, Inc.* (D. N.J. Aug. 19, 2014). Claims were directed to an online system for managing user records (*e.g.*, an online real estate listings system).
 - “Given the density of the ‘908 Patent with its 100 claims, the statutory presumption of validity, the “clear and convincing” evidentiary burden, and the lack of Plaintiff’s proposed constructions or any agreement about claim construction, the Court finds it is advisable to postpone adjudication of the ‘908 Patent’s eligibility.”
 - The patent claims were directed to an **abstract idea of database management**.
 - “It is questionable whether the ‘908 Patent can satisfy this [inventive concept prong of the two-part] test, but it is plausible that, after claim construction, Plaintiff may be able to [do so]. It is clear at this time, however, that many of Plaintiff’s arguments are meritless and will be rejected to streamline future abstractness arguments.

Summary Judgment Denied

- *Autoform Eng'g. Gmbh v. Eng'g. Tech. R. Steven Whalen Assocs.*, (E.D. Mich. Sept. 5, 2014)
 - Two patents-in-suit related to designing and manufacturing sheet metal parts and tools.
 - Machine-or-transformation test NOT satisfied for one patent pertaining “to the method of the design of addendum surfaces, rather than the literal and physical transformation of an article.”
- However, even though the patents “may include or rely on some basic concepts in the design of sheet metal forming tools, the patents also include numerous limitations that narrow the scope of the patent.”
 - Ten specific limitations related to sheet metal geometry.
 - Cites *Ulramercial II*: How is this case different from *Ulramercial III* (which came two months later)?

Examiners vs. PTAB vs. District Courts

- Examiners seem to accept drafting techniques
 - Implemented using, even if not improving, the “technological arts”?
 - “non-transitory” media
 - performed in a computer
 - having some effect in a computer
 - Varies by tech center and art unit
- PTAB – seems to track more closely to the District Courts (But see *Bancorp* and *PNC*).
- District Courts: by and large, business methods are unpatentable.
 - Closer to adopting Judge Mayer’s “technological arts” test.

The Conundrum

- Examiners seem willing to allow claims that will not survive the PTAB or District Courts.
- Is the pendulum going to swing back?
- What do applicants do with inventions that cannot be maintained as trade secrets, that may be issued by the PTO, but that will be difficult to enforce in today's federal courts?
 - Is the pendulum going to swing back?

Questions/Contact Us



Charles Bieneman

Bejin Bieneman PLC
bieneman@b2iplaw.com

The Software Intellectual Property Report
swipreport.com



Richard Holzer

HolzerIPLaw
rholzer@holzeriplaw.com



John P. Kong

Westerman Hattori Daniels & Adrian
jkong@whda.com