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USPTO Updates Guidance on Patent Subject Matter Eligibility as Federal Circuit Continues to Issue Decisions Finding Patents Eligible under 35 U.S.C. Â§ 101

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The U.S. Patent and Trademark Office ("USPTO") issued a new memorandum earlier this week regarding recent Federal Circuit decisions on subject matter eligibility under 35 U.S.C. § 101. This is the third such memo it has issued since May to supplement its May 2016 Update to its Guidance on patent subject matter eligibility. The USPTO's previous memos discussed the decisions in (i) *Enfish, LLC v. Microsoft Corp.* and *TLI Communications LLC v. A.V. Automative, LLC*; and (ii) *Rapid Litigation Management v. CellzDirect* and *Sequenom v. Ariosa*.

This week's memo discusses the Federal Circuit's recent decisions in *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 120 U.S.P.Q.2d 1091 (Fed. Cir. 2016) and *BASCOM Global Internet Servs. v. AT&T Mobility LLC*, 827 F .3d 1341 (Fed. Cir. 2016), which both reversed patent-ineligibility decisions by their respective district courts. The memo also acknowledged this week's Federal Circuit decision in *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, No. 2015-1180 (Fed. Cir. Nov. 1, 2016), and noted that it would be discussed further in forthcoming updates to the USPTO's subject matter eligibility guidance.

McRO

This most recent USPTO guidance summarizes the key takeaways from *McRO* (previously reported here) as:

- Cautioning that courts "must be careful to avoid oversimplifying the claims" by looking at them generally and failing to account for the specific requirements of the claims;

- Clarifying that an "improvement in computer-related technology" (as opposed to an abstract idea that is merely implemented by a generic computer) is not limited to improvements in the operation of a computer or a computer network *per se,* but may also be claimed as a set of "rules" (basically mathematical relationships) that improve computer-related technology by allowing computer performance of a function not previously performable by a computer; and

- Explaining that the "improvement in computer-related technology" can be found by: (i) looking to the teachings of the specification about how the claimed invention improves a computer or other technology; or (ii) recognizing that the claims recite ***a particular solution to a problem or a particular way to achieve a desired outcome defined by the claimed invention, as opposed to merely claiming the idea of a solution or outcome***.

With regard to this last takeaway, the USPTO's guidance distinguishes (i) *Affinity Labs of TX v. DirecTV* as a case that relied on the specification's failure to provide details regarding the manner in which the invention accomplished the alleged improvement when holding that the claims were directed to an abstract idea and not an "improvement in computer-related technology"; and (ii) *Electric Power Group* as a case where the claims recited the desired result of the invention ***without identifying a particular tool for achieving that result***.

BASCOM

The USPTO memo summarized the key takeaway from *BASCOM* (previously reported here) as:

- Clarifying that the additional elements of the claims must be considered ***in combination*** as well as individually at step two of the *Alice* analysis, because the nonconventional and non-generic arrangement of known, conventional elements may be sufficient to transform the claim into a patent-eligible application of the underlying abstract idea.

Preemption

The USPTO memo also makes a statement about preemption, noting that, although several recent Federal Circuit decisions (e.g., *Rapid Litigation*, *BASCOM*, and *McRO*) discuss the role of preemption in the eligibility analysis, "[e]xaminers should continue to use the *Mayo/Alice* framework ... to resolve questions of preemption" rather than evaluating preemption independently.

Precedential Decisions

In addition to the memo, the USPTO updated its chart of court decisions on subject matter eligibility, and reminded examiners to "avoid relying upon or citing non-precedential decisions (e.g., *SmartGene*, *Cyberfone*) unless the facts of the application under examination uniquely match the facts at issue in the non-precedential decision." The updated chart makes it easier for examiners to see whether a decision is precedential or non-precedential.

Upcoming USPTO Roundtables

www.uspto.gov/patent/laws-and-regulations/examination-policy/2014-interim-guidance-subject-matter-eligibility-0.

Amdocs and Recent Trends in Patent-Eligibility Decisions

In addition to the USPTO's memo, patent-eligibility law experienced another significant development this week when the Federal Circuit issued its decision in *Amdocs v. Openet Telecom*. The *Amdocs* decision was on November 1, after it had been pending for over a year since its oral argument last October. The 2-1 decision found all four patents-at-issue to be patent-eligible, and reversed and remanded the district court's decision that had granted judgment on the pleadings. As noted above, the USPTO's memo did not discuss this most recent Federal Circuit decision finding claims to be patent-eligible, but stated that it will be included in upcoming USPTO subject matter eligibility guidance.

Judge Plager wrote the majority opinion and was joined by Judge Newman. The four related patents generally concern "parts of a system designed to solve an accounting and billing problem faced by network service providers." Rather than trying to identify an abstract idea at step one of the *Alice* test, the majority skipped right to step two, holding that, even if the representative claims of each of the patents-at-issue were directed to the abstract ideas identified by the district court, each representative claim also contained an inventive concept that transformed the claim into something more than merely an abstract idea itself.

Starting with a representative claim of one of the four patents-at-issue, the majority relied on its previous construction of the claim term "enhance" as requiring the claims to be performed upon the invention's distributed architecture as disclosed in the specification. The majority explained that:

[T]his claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases). The solution requires arguably generic components, including network devices and "gatherers" which "gather" information. However, the claim's enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality [over the prior art].

The majority found that the representative claims of the remaining three patents were eligible for similar reasons.

Judge Reyna wrote an opinion dissenting-in-part and concurring-in-part. He argued that two of the four patents were patent-ineligible, and that the rationale used by the majority to find the other two patents eligible was faulty. For the two patents he found patent-eligible, he found them eligible under step one (unlike the majority opinion that which skipped to step two) and he criticized the majority for not identifying an abstract

idea under step one of the *Alice* test, stating that their approach "ignores and undermines" the Federal Circuit's holdings in *Enfish*, *McRO*, and the *Affinity Labs* cases, which point out that the step one inquiry is significant.

Judge Reyna's approach to the patent-eligibility analysis was slightly different from the majority's; rather than framing the question as whether the claim included a technological solution to a technological problem, Judge Reyna framed the *Alice* analysis as looking at whether the claims were "directed to" an abstract idea (such as a result, or desired goal) rather than to an application (such as a particular means of accomplishing that result or goal). In Judge Reyna's view, step one of the Alice test is a kind of "quick look" at whether the claim is clearly directed to an application (e.g., by including clear structural or procedural means that describe *how* that goal is achieved), and step two looks more carefully and holistically at the details of the claim if there is doubt at step one.

Judge Reyna stated that two of the patents were patent-eligible because, even though they *included* the abstract ideas identified by the district court, the representative claims were not "directed to" these abstract ideas since the claims recited enough process limitations defining a specific way of arriving at those abstract goals to pass the "coarse eligibility filter of § 101." However, he agreed with the district court's determination for the other two patents-at-issue, explaining that the claims failed to recite any structure or process limiting the claim to a particular means of achieving the recited goals.

Amdocs is the sixth Federal Circuit decision finding claims to be patent-eligible since the Supreme Court's *Alice* decision in June 2014, and is the fifth such decision in the last six months. This trend of increased decisions finding claims patent-eligible is not just occurring at the Federal Circuit, but is noticeable in the district courts as well. Before May of this year, the majority of patent-eligibility decisions from the district courts resulted in patent invalidity but, since May, only about half of district court patent-eligibility decisions have found the patents-at-issue to be invalid.

We will continue to monitor developments in patent-eligibility under 35 U.S.C. § 101. In the meantime, for more information on patent-eligibility, please contact one of our attorneys.

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