ARE Patent Litigation Alert: Federal Circuit Finds Another Computer Implemented Method To Be Patent-Eligible Under Section 101

October 3, 2011

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On September 15, 2011, the U.S. Court of Appeals for the Federal Circuit issued another decision on patent eligibility under 35 U.S.C. § 101 in *Ultramercial, LLC v. Hulu, LLC*, No. 2010-1544, 2011 U.S. App. LEXIS 19048 (Fed. Cir. Sept. 15, 2011). This decision, authored by Chief Judge Rader, shows the Federal Circuit's commitment to continue to clarify that in order for claims to be patent-eligible under Section 101, they need only pass through a "coarse eligibility filter."

The claims at issue in *Ultramercial* concerned a method for monetizing and distributing copyrighted material over the Internet. The district court found that the claims at issue were invalid because they did not claim patent-eligible subject matter. *See Ultramercial, LLC v. Hulu, LLC,* No. CV-09-06918, 2010 U.S. Dist. LEXIS 93453, at *1 (C.D. Cal. Aug. 13, 2010). Despite references in the claim to the "internet," the district court found that the claims were not tied to a "machine" and did not "transform" an article to a different state or thing. Rather, the district court found that the claims at issue were directed to the "abstract" idea "that one can use advertisement as an exchange or currency." *Id*. at *17.

On appeal, applying the "coarse" filter test set forth in *Research Corp. Techs. Inc. v. Microsoft*, 627 F.3d 859, 869 (Fed. Cir. 2010), the Federal Circuit reversed the district court finding, and concluded that the claims at issue were patent-eligible subject matter.

Relying upon the Supreme Court's admonitions in *Bilski v. Kappos,* 130 S. Ct. 3218, 3227-28 (2010), *Ultramercial* rejected efforts to limit the Section 101 analysis to the "machine-or-transformation test":

While machine-or-transformation logic served well as a tool to evaluate the subject matter of Industrial Age processes, that test has far less application to the inventions of the Information Age. *See* [*Bilski*, 130 S. Ct.] at 3227–28 ("[I]n deciding whether previously unforeseen inventions qualify as patentable 'processes,' it may not make sense to require courts to confine themselves to asking the questions posed by the machine-or-transformation test. Section 101's terms suggest that new technologies may call for new inquiries."). Technology without anchors in physical structures and mechanical steps simply defy easy classification under the machine-or-transformation categories. As the Supreme Court

suggests, mechanically applying that physical test "risk[s] obscuring the larger object of securing patents for valuable inventions without transgressing the public domain." *Id*. at 3228.

Ultramercial, 2011 U.S. App. LEXIS 19048, at *9-10.

In determining whether the claimed invention, a method for monetizing and distributing copyrighted material over the Internet, was directed to abstract ideas under Section 101, the Court reemphasized that (a) inventions with specific applications or improvements to technologies in the marketplace and (b) inventions that disclose practical applications of ideas are likely to be patentable. In so doing, *Ultramercial* reiterated the "manifestly abstract" test set forth in *Research Corp. Technologies*:

In sum, § 101 is a "dynamic provision designed to encompass new and unforeseen inventions." *J.E.M. Ag Supply, Inc. v. Pioneer Hi–Bred Int'l, Inc.*, 534 U.S. 124, 135, 122 S. Ct. 593, 151 L.Ed.2d 508 (2001). With this in mind, this court does "not presume to define 'abstract' beyond the recognition that this disqualifying characteristic should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter and the statutory context that directs primary attention on the patentability criteria of the rest of the Patent Act." *Research Corp.* [*Techs. v. Microsoft Corp*.], 627 F.3d [859,] 868 [(Fed. Cir. 2010)].

Ultramercial, 2011 U.S. App. LEXIS 19048, at *10-11.

Finally, the Federal Circuit distinguished the claims of *Ultramercial* with its prior precedent in *Cybersource*. Here, the Court found the claims at hand patent eligible because the claims specified a number of steps "likely to require intricate and complex computer programming" and they necessarily involved interaction with others on "the Internet and [in] a cyber-market environment." *Ultramercial*, 2011 U.S. App. LEXIS 19048, at *14. Thus, "[u]nlike the claims in *CyberSource* [*Corp. v. Retail Decisions, Inc.*, No. 2009-1358, 2011 U.S. App. LEXIS 16871 (Fed. Cir. Aug. 16, 2011)], the claims here require, among other things, controlled interaction with a consumer via an Internet website, something far removed from *purely* mental steps." *Ultramercial*, 2011 U.S. App. LEXIS 19048, at *18.

We will continue to monitor and report on Section 101 cases, and encourage you to review the publications and events page of our firm website (www.arelaw.com) for more information. Also, please feel free to contact one of our firm's attorneys to learn more.

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