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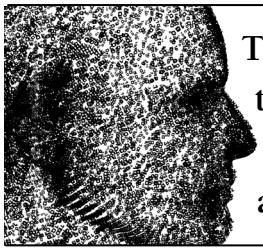
PERSPECTIVE

Applying *Alice*: Summer 2016 in review

By Kyle St. James

In *Alice Corp. v. CLS Bank International*, the U.S. Supreme Court considered the bounds of patent-eligible subject matter. The court set forth a two-step analysis (the "*Alice* analysis") to determine whether a patent claim is directed toward patent-eligible subject matter. The first step looks at whether the patent claim at issue is directed to a patent-ineligible concept. If so, the court then considers whether the elements of each claim, individually and as an ordered combination, transform the nature of the claim into a patent-eligible application. Of particular interest, the Supreme Court held that abstract ideas, performed by generic computer functions, without more, do not satisfy the second step; thus, failing to transform the claim into patent-eligible subject matter.

On May 12, the U.S. Court of Appeals for the Federal Circuit took up the issue of the eligibility of a software invention in *Enfish LLC v. Microsoft Corp*. The court concluded that the claimed invention, directed to a self-referential database, was patent-eligible. Enfish alleged Microsoft infringed two patents, both directed to a self-referential database which, as described therein, differed from a conventional database in that it allows all entity types to be stored in a single table, wherein columns of the table may be defined by rows in that same table. Considering the first step of the *Alice* analysis, the court held that the claimed invention was not directed to an abstract idea, but rather, it was "a specific improvement to the way computers operate, embodied in the self-referential table." In holding the claimed invention was not an abstract idea, the Federal Circuit focused on benefits of a self-referential database as recited in the patents, which included, "increased flexibility, faster search times, and smaller memory requirements."



The Supreme Court held that not all claims directed to software are inherently abstract.

Upon concluding the claims were patent-eligible, the Federal Circuit declined to consider the second step of the *Alice* analysis. In particular, the Federal Circuit stated: "We do not read *Alice* to broadly hold that all improvements in computer-related technology are inherently abstract and, therefore, must be considered at step two … Nor do we think that claims directed to software, as opposed to hardware, are inherently abstract and therefore only properly analyzed at the second step of the Alice analysis … We thus see no reason to conclude that all claims directed to improvements in computer-related technology, including those directed to software, are abstract and necessarily analyzed at the second step of *Alice*."

Additionally, the court opined "that the improvement is not defined by reference to 'physical' components does not doom the claims."

On June 27, the Federal Circuit once again took up the issue of the eligibility of a software invention in *Bascom Global Internet Services Inc. v. AT&T Mobility Corp.*, concluding the claimed invention was patent-eligible subject matter. The claims, directed to a filtering system "located on a remote ISP server that associates each network account with (1) one or more filtering schemes and (2) at least one set of filtering elements from a plurality of sets of filtering elements," were found patent-eligible under the second-step of the *Alice* analysis. The district court held that filtering content is an abstract idea, regardless of whether the content being filtered is provided on the internet or through mediums such as books, magazines, television or movies. Under the second step, the district court held that each individual claim element was a well-known, generic computer component or standard filtering mechanism and thus, the claims did not contain an inventive concept to transform the abstract idea into patent-eligible subject matter.

On appeal, the Federal Circuit agreed with the district court that the claims were directed to an abstract idea under step one of the Alice analysis. However, analyzing the patent claims under the second step, the Federal Circuit held the patent claims contained an inventive concept in the form of "a technology-based solution (not an abstract-idea-based solution implemented with generic technical components in a conventional way) to filter content on the Internet that overcomes existing problems with other Internet filtering systems."

In *Enfish*, the opinion of the Federal Circuit focused on the first step of the Alice analysis, stating, "we find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the *Alice* analysis." Therefore, the court rejected the notion that claims directed to software are inherently abstract. Based on the opinion in *Enfish*, when facing a rejection under 35 U.S.C. Section 101 based on the holding in Alice, one should ensure the patent examiner is not "describing the claims at such a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule."

In *Bascom*, the Federal Circuit focused on the second step of the *Alice* analysis stating the lower court's analysis "looks similar to an obviousness analysis under 35 U.S.C. § 103, except lacking an explanation of a reason to combine the limitations as claimed." Thus, the Federal Circuit asserted the second step of the *Alice* analysis "requires more than recognizing that each claim element, by itself, was known in the art." Thus, based on the opinion in *Bascom*, patent practitioners may find success in arguing that, although "the limitations of the claims, taken individually, recite generic computer, network and internet components, none of which is inventive by itself," the specific implementation claimed should not be interpreted as merely relying on recitations of generic computer components but instead as directed to patent-eligible subject matter.

The upcoming months may provide even more clarity on the bounds of patent-eligible subject matter as several cases centered on such have recently been appealed to the Federal Circuit. For example, appellant briefs in *West View Research LLC v. Audi AG* and *Athenahealth Inc. v. Care- Cloud Corp*. both rely heavily on the opinion of Enfish to uphold the patent claims at issue. Meanwhile, the appellee brief in *Trading Technologies International Inc. v. CQG Inc.* relies on the opinions of both *Enfish* and *Bascom* in seeking to uphold the patent claims at issue.

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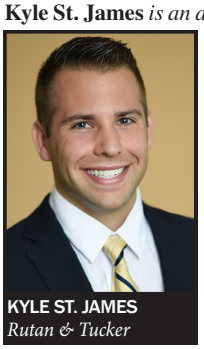

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