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Recent Federal Circuit Decisions Provide Mixed Messages on Patent Eligible Subject Matter

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The Supreme Court's *Alice* decision is now more than three years old, however, stakeholders, the courts and the U.S. Patent and Trademark Office are still struggling to understand *Alice* and, in particular, how to determine whether software and computer-related inventions claim patentable subject matter.

For example, in July 2017, former Federal Circuit Chief Judge Paul Michel testified before the House of Representatives IP subcommittee that, while *Alice* has allowed more cases to be resolved early in litigation under the two-part *Alice* "abstract ideas" test, he also warned, "[t]he problem part of it is the standards are so vague and uncertain that there is massive unpredictability." Unfortunately, it remains challenging to understand what makes a software or computer-related invention patentable subject matter or an abstract idea.

In 2017, the Federal Circuit has provided a number of decisions during the year so far that ratified Judge Michel's warning, while providing some additional guidelines for dealing with this issue. This is an update on the CAFC's position so far in 2017. In January, the Federal Circuit issued the opinion *Trading Technologies v. CQG*, 675 Fed. Appx. 1001 (Fed. Cir. 2017) which, while non-precedential, affirmed the district court's decision and found Trading Technologies' claims recite patent eligible subject matter. In this case, the claims were associated with a computerized method and system directed to reducing the time it takes for a trader to place a trade on an exchange, increasing the likelihood the trader will have orders filled at desirable prices and quantities. In particular, the claims were associated with a graphical user interface (GUI) for the system and the court found the claimed subject matter is "directed to a specific improvement to the way computers operate" as in *Enfish, LLC v. Microsoft. Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

In March 2017, the CAFC decided two parallel decisions (Intellectual *Ventures v. Capital One*, 850 F.3d 1332 (Fed. Cir. 2017)) where the court found the claims were directed to the abstract idea of collecting, displaying, and manipulating data found in XML documents. As a result, the court found the patents to be ineligible under 35 U.S.C. § 101.

Also in March 2017, the CAFC decided *Thales Visionix Inc. v. U.S.*, 850 F.3d 1343 (Fed. Cir. 2017). In this case, the court found the claims to recite patent eligible subject matter. The court found the claims to be similar to the claims in *Diamond v. Diehr*. The court concluded the "claims are directed to systems and methods that use inertial sensors in a non-conventional manner to reduce errors in measuring the relative position and orientation of a moving object on a moving reference frame." The court noted that the presence of a mathematical equation in the claims did not "doom the claims to abstraction."

In late April, in *RecogniCorp LLC v. Nintendo Co.*, 855 F.3d 1322 (Fed. Cir. 2017) the CAFC found the claims at issue were directed to an abstract idea of encoding and decoding image data under step one of the *Alice* test. The court compared the claims to "Morse code, ordering food at a fast food restaurant via a numbering system, and Paul Revere's 'one if by land, two if by sea' signaling system." This finding seems to be at odds with the Federal Circuit's warning in *Enfish* to be careful to not overgeneralize and oversimplify the claims in step one of the *Alice* test. The court proceeded to step two of the *Alice* test and found the claims do not include an inventive concept that transform the nature of the claims into a patent-eligible invention. In May 2017, a petition for en banc rehearing was filed by RecogniCorp and was denied.

Finally, in *Visual Memory LLC v. NVIDIA Corp.*, the Federal Circuit issued a split opinion on August 15, 2017. (*Visual Memory LLC v. NVIDIA Corp.*, 2017 WL 3481288 (Fed. Cir. 2017). In the opinion written by Judge Stoll, the court found U.S. Patent No. 5,953,740 is drawn to patent-eligible subject matter. The court concluded the '740 patent claims an improvement to computer memory systems and is not directed to an abstract idea. The district court had granted NVIDIA's motion to dismiss for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6) where the court concluded that the claims were directed to the "abstract idea of categorical data storage."

The Federal Circuit reversed the district court and ruled the claims were not directed to an abstract idea under *Alice* step one. In the decision, the court cited to two of its previous decisions including *Enfish* and *Thales*. In *Enfish*, the Federal Circuit held that claims reciting a self-referential table for a computer database were patent-eligible under *Alice* step one because the claims were directed to an improvement in the computer's functionality. (Click here for more information). It was determined the claims were directed to a technological improvement similar to those in *Enfish* and *Thales* – "an enhanced memory system." The dissent argued the patent lacks details about how the invention's purpose is achieved but Judge Stoll's opinion indicated that the specification explains that multiple benefits flow from the improved memory system and also includes a large appendix having computer code.

The *Alice* decision significantly shifted the landscape of patentable subject matter. Three years after *Alice*, some computer-implemented patent claims remain patent eligible, but many are not. However, because of the mixed messages from the Federal Circuit, it remains difficult to determine when a claim recites patentable subject matter. It is possible the Federal Circuit will continue to refine their views, either by panel or en banc.

How can we help…Polsinelli continues to monitor new cases and USPTO guidance regarding patentable subject matter in order to determine best approaches to protect our clients' intellectual property interests. Software and computer-related patent applications and claims have to be drafted in view of *Alice*, the Federal Circuit's decisions since *Alice*, and USPTO guidance. Although there is uncertainty, Polsinelli has developed strategies to reduce the likelihood of receiving patentable subject matter rejections from the USPTO and successfully overcome patentable subject matter rejections. If you have any questions regarding patent protection of software or business methods, please contact the author or your Polsinelli attorney.

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