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Client Alert Commentary

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Early Lessons on *Alice Corp. v. CLS Bank International* and Section 101 From Recent Court Decisions

Alice *and its immediate aftermath in the lower courts*

In *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the US Supreme Court held that claims to "generic computer implementation" of abstract ideas are not eligible for patent protection under 35 U.S.C. § 101. The Court also vacated and remanded the Federal Circuit's sweeping § 101 decision in *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013), for reconsideration in light of *Alice*. *See WildTangent, Inc. v. Ultramercial, LLC*, 134 S. Ct. 2870 (2014).

Alice has had an immediate an impact in the lower courts. On September 3, 2014, in five separate cases described below, a Federal Circuit panel, a Federal Circuit judge sitting by designation on a district court, two district judges and a magistrate judge issued decisions invalidating patent claims under § 101.

- **1) *buySAFE, Inc. v. Google, Inc.***, No. 13-1575, 2014 WL 4337771 (Fed. Cir. Sept. 3, 2014): The Federal Circuit affirmed a district court's judgment on the pleadings that that claims for underwriting transactions over a computer network were ineligible under § 101. The panel held, in light of *Alice*, that the creation of such financial relationships was an abstract idea and that the use of generic computing components such as a "computer application" or "computer networks" did not render that abstract idea patent-eligible. The court observed that the claims "[did] not push or even test the boundaries of the Supreme Court precedents under section 101." *buySAFE*, 2014 WL 4337771, at *4. *buySAFE* follows two other recent Federal Circuit rulings — *Planet Bingo, LLC v. VKGS LLC*, No. 13-1663, 2014 WL 4195188 (Fed. Cir. Aug. 26, 2014), and *Digitech Image Technologies, LLC v. Electronics for Imaging, Inc.*, No. 13-1600, 2014 WL 3377201 (Fed. Cir. July 11, 2014) — that also upheld the invalidation of patent claims under § 101 in the wake of *Alice*.

- **2) *Loyalty Conversion Systems Corp. v. American Airlines, Inc.***, No. 2:13-cv-00655-WCB, 2014 WL 4364848 (E.D. Tex. Sept. 3, 2014): Judge Bryson, a Federal Circuit judge sitting by designation on the Eastern District of Texas, granted the defendants' motion for judgment on the pleadings under § 101. The patents-in-suit claimed computer-driven methods and computer programs for converting vendor loyalty award credits between different vendor programs — a form of currency exchange. Applying *Alice*, Judge Bryson held that neither implementation of the method's steps on a computer nor the patent's focus on vendor award programs was sufficient to make the claims patent-eligible.

- **3) *Walker Digital, LLC v. Google, Inc.***, No. 1:11-cv-00318-LPS, 2014 WL 4365245 (D. Del. Sept. 3, 2014): The district court granted Google's motion for summary judgment under § 101. The patents-in-suit described generic computer implementation of methods for performing conventional matchmaking and headhunting services. Judge Stark relied on *Alice*'s observation that "the mere

recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention" to invalidate system claims using generic computer components, such as a "processor" and "memory," to implement the abstract method. *Alice*, 134 S. Ct. at 2358.

- **4) *Tuxis Technologies, LLC v. Amazon.com, Inc.***, No. 1:13-cv-01771-RGA, 2014 WL 4382446 (D. Del. Sept. 3, 2014): The district court granted Amazon's motion to dismiss under § 101. The patent-in-suit claimed a method of upselling using electronic communications devices. Judge Andrews held that the plaintiff failed to identify an "inventive concept" that would "ensure that the patent in practice amounts to significantly more than a patent upon" the concept of upselling itself, as required by *Alice*. Computer-related limitations in the claims, such as "real time" recommendations of goods to buyers using a computer, did not salvage the claims because the computers performed conventional, well-understood steps that were not integral to the claims.

- **5) *Genetic Technologies Ltd. v. Laboratory Corp. of Am. Holdings***, No. 1:12-cv-01736-LPS-CJB, 2014 WL 4379587 (D. Del. Sept. 3, 2014): The patent-in-suit described a process of "analyzing" a biological sample, "detecting" the presence of alleles correlated with improved athletic performance in the sample, and "predicting" the athletic performance of the individual based on the presence of the alleles. Applying *Alice*, the magistrate judge concluded that the steps recited in the method claim did not convert the observed correlation between the alleles and athletic performance — a phenomenon of nature — into patent-eligible subject matter under § 101.

Early Lessons From Recent § 101 Decisions

The above five cases provide important insight as to how the lower courts have read *Alice* in its aftermath. While the viability of a § 101 defense in any particular case will depend on the nature of the asserted claims, there are at least three takeaways from these recent rulings:

- **The federal circuit's initial decisions have applied *Alice* to reject computer-implemented patents.** In all three of its § 101 decisions post-*Alice*, including *buySAFE*, the Federal Circuit invalidated method and system claims directed to computer-related abstract ideas. The Federal Circuit's post-*Alice* jurisprudence to date, therefore, has followed the Supreme Court's lead in *Alice* and its recent § 101 decisions. A number of additional § 101 cases remain pending before the Federal Circuit.

- **Section 101 motions are permissible at the pleadings stage.** In *Ultramercial*, the Federal Circuit observed that a court should "rarely" grant a § 101 motion at the pleadings stage. But that decision was vacated and remanded by the Supreme Court in light of *Alice*. And, since then, the Federal Circuit and district court have held or affirmed claims invalid at the pleading stage in several cases — including *buySAFE*, *Loyalty Conversion*, *Tuxis* and *Genetic Technologies*.

- **Section 101 is an increasingly important threshold defense to consider.** Defendants will point to *Alice* as continuing the Supreme Court's trend toward tightening § 101 eligibility. Judge Bryson observed in *Loyalty Conversion*, for example, that *Alice* "goes beyond" the Supreme Court's previous § 101 cases to hold that the mere introduction of a computer into patent claims does not make an unpatentable abstract idea patent-eligible. In *buySAFE*, *Loyalty Conversion*, *Tuxis*,and *Walker Digital*, the courts held that the patents at issue all attempted to appropriate an abstract concept — such as underwriting, currency exchange, matchmaking and upselling — by claiming generic computer implementation of that concept. In each case, the court rejected the claims as ineligible under *Alice*. *Alice* has, therefore, already made it harder for patentees to rely on claims' use of computer hardware or software to avoid invalidity under § 101.

Conclusion

These initial decisions applying *Alice* provide additional fodder for parties considering raising § 101 as a defense in patent litigation. These decisions suggest or reinforce a trend toward a more consistent and predictable approach to § 101, confirm that the defense is available even at the early stages of litigation, and portend a more restrictive eligibility standard under § 101 — particularly for patents that claim implementation of an abstract concept using generic computer components. For all three of these reasons, defendants may find raising § 101 defenses early in a case an attractive strategy.

Latham & Watkins is a leader in successfully raising § 101 defenses. For example, Latham won significant § 101 victories in *Intellectual Ventures I LLC v. Capital One Financial Corp.*, No. 1:13-cv-00740 (E.D. Va. Apr. 16, 2014); *Graff/Ross Holdings LLP v. Fed. Home Loan Mortg. Corp.*, 892 F. Supp. 2d 190 (D.D.C. 2012); *Fed. Home Loan Morg. Corp. v. Graff/Ross Holdings LLP*, 893 F. Supp. 2d 28 (D.D.C. 2012); and *OIP v. Amazon.com, Inc.*, No. 12-cv-1233, 2012 WL 3985118 (N.D. Cal Sept. 11, 2012). Latham also secured vacatur of the Federal Circuit's *Ultramercial* decision at the Supreme Court on behalf of WildTangent, Inc. Latham is also actively asserting § 101 defenses on behalf of numerous other clients at both the trial and appellate levels.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Gregory G. Garre
gregory.garre@lw.com
+1.202.637.2207
Washington, D.C.

Matthew J. Moore
matthew.moore@lw.com
+1.202.637.2278
Washington, D.C.

Richard G. Frenkel
rick.frenkel@lw.com
+1.650.463.3080
Silicon Valley

Gabriel K. Bell
gabriel.bell@lw.com
+1.202.637.2227
Washington, D.C.

Michael J. Gerardi
michael.gerardi@lw.com
+1.202.637.1019
Washington, D.C.

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