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Patent Eligibility Under Alice: Reliance on Lack of Routine or Conventional Use

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Federal courts have continued to wrestle with the standard for patent eligibility under 35 U.S.C. § 101 set by the ***Supreme Court***'s ruling in ***Alice Corp. Pty. Ltd. v. CLS Bank Int'l***, 134 S. Ct. 2347 (2014). This is illustrated, for example, in two decisions – one from a district court and one from the Federal Circuit – in which the courts reached opposite conclusions on computer-related patents, showing that not all such patents are the same for purposes of determining patent eligibility.

Alice created a two-step process to determine whether a claim is directed to patent-eligible subject matter under § 101. 134 S. Ct. at 2355. First, a court must "determine whether the claims at issue are directed to [a] patent-ineligible concept[]" by evaluating the claims "[o]n their face" to determine to which "concept the claims are 'drawn.'" *Id.* at 2355-56. Then, the court "search[es] for an inventive concept – i.e., an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself." *Id.* at 2355. The Supreme Court clarified that for an abstract idea to be considered patent-eligible, "the claim ha[s] to supply a 'new and useful' application of the idea" and that "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent eligible invention." *Id.* at 2357-58.

In *Amdocs Ltd. v. Openet Telecom, Inc.*, 2014 U.S. Dist. LEXIS 152447 (E.D. Va. Oct. 24, 2014), the Eastern District of Virginia court followed this two-step analysis for each of the four patents-in-suit and found each of the patents-in-suit invalid under § 101. *Id.* at *12-28. The court found that the claims satisfied step 1 of *Alice* by being "drawn to the abstract ideas" of (1) "correlating two network accounting records 'using some unspecified, generic' computer hardware"; (2) collecting and storing information, and generating reports; (3) "generat[ing] a single record reflecting multiple services; and (4) "collecti[ng] [] network usage information from a plurality of network devices." *Id.* Furthermore, at step two, the court found that the claims did "nothing significantly more than an instruction to apply the abstract idea . . . using some unspecified, generic" computer hardware and did not "add more than conventional computer functions operating in a conventional manner." *Id.*

The *Amdocs* court also emphasized preemption concerns that were discussed in *Alice*—namely, that courts must determine whether a patent or claim would thwart research or invention. *Alice*, 134 S. Ct. at 2354. The court explained that "[a] person may have invented an entirely new and useful advance,

but if the patent claims sweep too broadly, or only claim the idea that was achieved rather than implementation of the idea, § 101 directs that the patent is invalid." *Amdocs*, 2014 U.S. Dist. LEXIS 152447, at *28-29. Therefore, as "Amdocs's asserted claims recite[d] such conventional operation, in such a general way, that even if the inventor had developed an actual working system, the patent claims could foreclose fields of research beyond the actual invention," all asserted claims were invalid as patent-ineligible. *Id.* at *29.

In *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1249 (Fed. Cir. 2014), however, the Federal Circuit came to the opposite conclusion when analyzing a patent which addressed the problem of "retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host's website after 'clicking' on an advertisement and activating a hyperlink." *Id.* at 1257. Prior to analyzing the patent under the *Alice* test, the court acknowledged that "[d]istinguishing between claims that recite a patent-eligible invention and claims that add too little to a patent-ineligible abstract concept can be difficult, as the line separating the two is not always clear." *Id.* at 1255.

The Federal Circuit then discussed the holdings of not only *Alice* but also to those of *Ultramercial*, *buySAFE*, *Accenture,* and *Bancorp* to provide examples of claims that the Supreme Court has considered overly broad and generic and therefore insufficiently specific and meaningful applications of their underlying abstract ideas. *Id.* at 1256; *see also Ultramercial, Inc. v. Hulu, LLC*, 2014 U.S. App. LEXIS 21633 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), *Accenture Global Servs. v. Guidewire Software, Inc.*, 728 F.3d 1336 (Fed. Cir. 2013); *Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada*, 687 F.3d 1266 (Fed. Cir. 2012). The Federal Circuit noted that the claims in *Ultramercial* "merely recited the abstract idea of using advertising as a currency as applied to the particular technological environment of the Internet" (*DDR Holdings*, 773 F.3d at 1256); the claims in *buySAFE* recited "no more than using a computer to send and receive information over a network in order to implement the abstract idea of creating a 'transaction performance guaranty." (*id.*); the claims in *Accenture* "merely recited 'generalized software components arranged to implement an abstract concept [of generating insurance-policy-related tasks based on rules to be completed upon the occurrence of an event] on a computer'" (*id.*); and the claims in *Bancorp* "recited no more than the use of a computer 'employed only for its most basic function, the performance of repetitive calculations,' to implement the abstract idea of managing a stable-value protected life insurance policy" (*id.*).

For step 1 of *Alice*, the Federal Circuit determined that although the defendants attempted to characterize the idea as "making two webpages look the same," for example, that was not quite correct. According to the court, unlike the above cases, the patent-in-suit's claims "stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *DDR Holdings*, 773 F.3d at 1257. Even if framed as an abstract idea, however, the court also found that, at step two, the claims specified how interactions with the Internet were manipulated to create a desired result that overrode "the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* at 1258. The Federal Circuit found that even though the claims might not be as "technologically complex" as some other inventions, they also did not merely "recite a commonplace business method aimed at processing business information, applying known business process to the particular technological environment of the Internet, or creating or altering contractual relations using generic computer functions and conventional network operations." *Id.* at 1259. As a result, the Federal Circuit found the patent to be patent-eligible.

In summary, the *DDR Holdings* court found that the patent-in-suit was more than an abstract idea and did more than make routine or conventional use of the Internet, while the *Amdocs* court found that the patents-in-suit covered only abstract ideas that also did no more than apply those abstract ideas using generic computer hardware. Based on these two example cases, one key question in many cases assessing patent eligibility will be whether the claims merely provide "the routine or conventional use" of the Internet or a generic computer. And while it may not always be sufficient, *see id.* at 1258 ("We caution, however, that not all claims purporting to address Internet-centric challenges are eligible for patent."), another important distinction will be to assess whether the issue being solved by a patent is one that arises only because of the Internet or a computer, as in *DDR Holdings*, rather than an abstract problem that was previously done without computers and is merely improved by computers or the Internet.

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