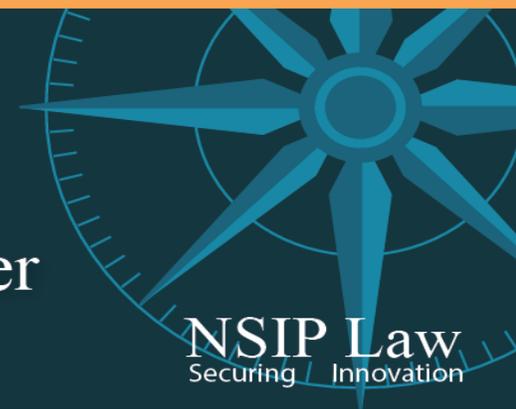


Σummations:

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U.S. Supreme Court Asked to Clarify *Alice* Test for Patentable Subject Matter Under Section 101

The U.S. Supreme Court was recently asked to further clarify the *Alice Corp Pty. V. CLS Bank Int'l*, 134 S. Ct 2347 (2014) test for determining whether the subject matter of a patent is eligible for protection under 35 U.S.C. 101. Under the two-part *Alice* test, a court must first “determine whether the claims at issue are directed to a patent-ineligible concepts, such as law of nature, natural phenomenon, or abstract idea,” and then the court must ask whether the patent involves 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.” The test in *Alice* has most often been applied to computer-based inventions, including software and business methods that are accomplished using a computer or computer network, such as the Internet. The *Alice* decision has called into question the patentability and validity of countless U.S. patents which claim computer or software based inventions or business methods, and has resulted in a broad array of federal court decisions either upholding or invalidating such patents.

One such recent case is *Blue Spike, LLC v. Google, Inc.*, where the patent owner, Blue Spike, a small technology company, has asked the Supreme Court, in its Petition for a Writ of Certiorari, to determine whether a Federal District Court went too far in finding that its U.S. patents claiming a “novel basis” for digital signal recognition and identification through “enhanced identification” methods *do not* claim patentable subject matter under Section 101. The Blue Spike patents provided an alternative to digital watermarking technology for securing digital content. Rather than embedding data into a digital signal to identify it (watermarking), the Blue Spike technology creates a “digital

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signal abstract” – a smaller digital representation of the digital signal - in order to identify it by comparing the signal abstract to a database of known signals.

Upon learning of a potential infringement, Blue Spike filed a patent infringement lawsuits against Google, Inc. and several other companies in the U.S. District Court for the Eastern District of Texas, which is a popular jurisdiction in which to bring such lawsuits, since it is very experienced in patent matters and has a “rocket docket” format that leads to rapid decisions. The Texas court granted Google’s motion to transfer venue (*i.e.*, the location) for the lawsuit to the U.S. District Court for the Northern District of California where google was located, as Blue Spike had little connection to Texas. The cases against the other accused infringers remained in Texas. While the case against Google in California was administratively stayed, the Texas Court conducted a “*Markman* hearing” to construe the claims of the Blue Spike patents, and issued a 69-page opinion construing more than 30 terms and phrases in the patents-in-suit, which resulted in a denial of the Texas defendants’ motion for summary judgment that the patents were invalid.

Shortly after the Texas court issued its *Markman* opinion, Google filed a motion in the California Court for judgment on the pleadings under Rule 12(c) of the Federal Rules of Civil Procedure, seeking a judgment from the court that the Blue Spike patents were invalid because they claimed an “abstract idea,” which was not patentable subject matter under Section 101 under the two-part test announced in *Alice*. In the U.S. Federal Courts, a motion for judgment on the pleadings asks the Court to render a judgment on the merits of the patent owner’s claim for infringement based *only* on the information contained within two documents: the Plaintiff’s Complaint and the Defendant’s Answer (along with the exhibits that are attached to those documents). The filing of motions to dismiss a complaint for failure to state a claim under Rule 12(b)(6) or for judgment on the pleadings under Rule 12(c) has become an increasingly common tactic employed by accused patent infringers to challenge the validity of computer-based patents under Section 101 by arguing very early in the case that the patent claims do not cover subject matter that is eligible for patent protection under the *Alice* standards. By doing so, the Defendants hope to obtain an early judgment of patent invalidity

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in order to avoid a long and potentially very costly litigation proceeding.

The California Court in *Blue Spike* granted Google's motion for judgment on the pleadings. The Court applied the two-part test set forth in *Alice*. To determine whether patent claims are directed to an abstract idea, the Court indicated that it "must distill the gist of the claims." Even if the patents claim an abstract idea, the Court noted that it must nevertheless consider whether the claims involve an "inventive concept" such that "the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." The Court summarized the several post-*Alice* decisions of the U.S. Court of Appeals for the Federal Circuit which held that patent claims directed to abstract ideas were invalid. The California Court also noted the Federal Circuit's recent ruling in *DDR Holdings, LLC v. Hotels.com, L.P.* where the Federal Circuit held a patent to be valid, even though its claims were "directed to systems and methods of generating a composite web page that combines certain visual elements of a 'host' website with content of a third-party merchant."

In *Blue Spike*, the California Court found that Blue Spike's patents claimed abstract ideas, because the specification of those patents acknowledged that the invention seeks to "model," on a computer, "the highly effective ability of humans to identify and recognize a signal." Therefore, the Court ruled that by their own terms, the Blue Spike patents simply seek to cover a general purpose computer implementation of an abstract idea long undertaken within the human mind. Although the California Court did not conduct its own *Markman* hearing to construe the claim terms used in the Blue Spike patents, it relied on the prior construction of the terms "abstract" and other related terms that was entered by the Texas court in its *Markman* opinion. Based on those constructions, the California Court found that the "abstract" of the signal has a "perceptual relationship" to the signal, thus suggesting human perception, and that the construction of related terms by the Texas court reveals that the patents are generally directed to human-observable aspects of signals.

The Court found that the method by which the claims contemplate enabling these comparisons mirrors the manner in which the human mind undertakes the same tasks, such as by comparing "perceptual characteristics" of an object, such as a photographic image, and then finding matches for those characteristics in a database stored in the computer's memory. The Court noted that there was no aspect of the computer processing described in the Blue Spike patents that could not have also been done by the human brain. In doing so, the Court rejected Blue Spike's arguments that finding computer reproductions of mental processes to be "abstract ideas" will render future breakthroughs in artificial intelligence unpatentable. The Court noted that even though artificial intelligence may constitute abstract ideas, they may still be patentable if they include "an inventive concept."

On the issue of whether the "abstract ideas" claimed by the Blue Spike patents involved an "inventive concept," the California Court held that they did not. Instead, the Court found that the patent claims merely discuss using routine computer components and methods (*i.e.*, general purpose computers, compression, and databases) to accomplish this task with, in certain circumstances, greater efficiency than a human mind could achieve. Merely adding limitations to the patent claims involving the use of general purpose computer components to an otherwise abstract concept does not constitute an inventive concept, according to the Court. The Court also noted that the mere fact that the claims cover a computer implementation that may surpass in scope or complexity the capability of the human mind is irrelevant, as the claims may also cover more basic processes that are within human capability. The Court was concerned with the fact that the patent claims would cover and preempt a wide range of comparisons that

humans can undertake, and have undertaken “from time immemorial.” On that basis, the Court found that the Blue Spike patents were invalid under Section 101.

Blue Spike appealed the case to the Federal Circuit, which summarily affirmed the California Court’s ruling without even issuing an opinion explaining its reasoning. However, it can be implied from the Federal Circuit’s affirmance that it may be proper to hold that patent claims are invalid under Section 101 based solely on the information contained within the parties’ Complaint and Answer, and that the California Court’s methodology and legal reasoning were sound, as was the ultimate result.

Blue Spike filed its petition for certiorari to the Supreme Court, requesting that the Court decide three (3) issues. The first involves the level of generality at which a patent claims should be assessed by a court in order to determine whether they are directed to patentable subject matter. Blue Spike contends that the California court improperly reduced its patent claims to a highly general “gist,” and then assessed that “gist” in order to determine whether it is so abstract as to be unpatentable. Blue Spike argues that because distilling patent claims to a “gist” inherently abstracts from a patent’s specific claims, that approach creates a bias toward invalidity, contrary to the invention of the Supreme Court in *Alice* and its predecessor cases.

Secondly, Blue Spike contends that the California Court erred by failing to definitively construe the disputed terms of the patents’ claims before ruling that they were ineligible for patent protection. Although Blue Spike concedes that the Federal Circuit has allowed this to happen, it nonetheless argues that deciding whether patent claims are eligible for protection under Section 101 magnifies the tendency for courts to ignore a patent’s specific claims and to over-generalize the “gist” of the claimed invention. However, Blue Spike does not address the significance of the fact that the California Court relied, in part, for its decision on a detailed construction of disputed claim terms that was rendered by the Texas Court.

Finally, Blue Spike asserts that the California Court mixed the issues of enablement of the invention under 35 U.S.C. 112(a) and eligibility of the patent claims for protection under Section 101, whereas the Supreme Court recognized the importance of keeping those two issues separate. Blue Spike points to the California Court’s reliance on Google’s repeated argument regarding the “inventive concept” element of the *Alice* test that Blue Spike had not really invented anything because the patent did not sufficiently specify the underlying technology used to implement the invention. Blue Spike contends that this proves that the Court was really deciding whether the specification sufficiently enabled the patented inventions. Blue Spike warns that patent eligibility determinations under Section 101 have allegedly become an excuse for courts to decide the issue of enablement on the pleadings as part of their “inventive concept” analysis, since the standards for patent eligibility are uncertain. Blue Streak argues that deciding enablement is not appropriate for judgment on the pleadings, because it is a disputed issue that requires extensive factual development through the litigation discovery process.

Whether the Supreme Court will decide to take this case and decide all of the issues raised by Blue Streak is unknown. Ordinarily, cases decided without an opinion by the court of appeals, as has occurred here; do not make good candidates for granting certiorari. But the Supreme Court in recent years has been willing to hear and decide a significant number of patent cases in order to clarify the law that applies to a variety of patent infringement, validity, and damages issues. If the Court does decide to take this case, it may provide needed clarity regarding the issues that may be properly addressed, and the methods that should be used by the federal courts, including conducting a *Markman* claim construction hearing, when deciding whether a patent claims eligible subject matter under Section 101. Given the uncertainty at the

U.S. Patent and Trademark Office in examining applications for computer-based patents, any such clarification and guidance by the Court would be welcomed.

Federal Circuit Finds Post-AIA On-Sale Bar of Section 102 Does Not to Require Public Disclosure of the Invention

In its recent precedential decision in *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.*, the United States Court of Appeals for the Federal Circuit was asked to interpret the “on sale” bar to patent validity that is set forth in the “new” version of 35 U.S.C. 102(a)(1) that is included in the America Invents Act (“AIA”). In that case, the patent owner, Helsinn, brought a patent infringement suit against Teva Pharmaceuticals alleging that Teva’s Abbreviated New Drug Application constituted an infringement of four of Helsinn’s U.S. Patents, which are directed to the optimal dosages of intravenous formulations of palonosetron for reducing chemotherapy-induced nausea and vomiting. Only one of Helsinn’s patents was governed by the AIA version of Section 102, because its application was filed after that statute was enacted.

Teva defended against Helsinn’s claims of infringement by arguing that the Helsinn patents were invalid under the “on-sale” bar to patent validity that is set forth in post-AIA Section 102(a)(1). Before the AIA, an invention was not patentable, and an issued patent was not valid, if more than one year before the effective filing date of the patent application, the invention was on sale to the public, or the subject of a commercial offer for sale. Under the pre-AIA version of Section 102(b), a patent claim could be found unpatentable or invalid even if the invention was not disclosed to the public as part of the sale or offer for sale. However, by enacting the AIA, Congress amended Section 102 to bar the patentability of an “invention [that] was patented, described in a printed publication, or in public use, *on sale, or otherwise available to the public* before the effective filing date of the claimed invention.” (Emphasis added) The fundamental question that the Federal Circuit analyzed in *Helsinn* was whether the AIA amendments to Section 102 changed the meaning of the “on sale” bar.

In *Helsinn*, the patent owner entered into a License Agreement and a Supply and Purchase agreement with MGI Pharma, Inc., a pharmaceutical products distributor, almost two years before applying for the patents on its pharmaceutical inventions. Although the terms of those commercial agreements were made public in redacted form, their description of the critical optimal dosages of palonosetron that constituted Helsinn’s patented inventions were not made public. Those dosages became known to the public only after Helsinn’s patent applications were filed and the actual pharmaceutical product was delivered to customers.

Based on those facts, the Federal District Court found, with respect to the three Helsinn patents that *were not* subject to the AIA, that there had been a commercial offer for sale of the patented invention according to the standards set forth in the pre-AIA version of Section 102. However, the district court found, based on those same facts, that with respect to the Helsinn patent that *was* subject to the AIA there had been no commercial offer for sale, because the AIA changed the legal standard that must be met. On appeal, the Federal Circuit disagreed and found instead that the AIA did not change the statutory meaning of “on sale.”

The Federal Circuit’s decision came down to whether post-AIA Section 102(a)(1) required that the patented invention itself must be made public as part of the commercial sale or offer for sale. Under the pre-AIA version of the “on sale” bar of Section 102(b), the patent claim could be found unpatentable or

invalid even if the invention remained confidential during the commercial transaction. With respect to post-AIA Section 102(a)(1), *Helsinn* argued that Congress changed the law of the “on sale” bar by adding the “otherwise available to the public” language to the statute that was not present in the pre-AIA version.

According to *Helsinn*, the post-AIA “on sale” bar does not include secret sales and requires that a sale make the invention available to the public in order to render the claimed invention unpatentable or invalid. *Helsinn* relied on “floor statements” made by members of Congress supporting the AIA bill, where those members stated an apparent intention to do away with the interpretation of pre-AIA Section 102(b) that allowed “private offers for sale” that do not disclose the invention to the public to be used as patent-invalidating prior art. According to those floor statements, the new post-AIA Section 102(a) “precludes extreme results such as these” so that only prior art that is available to the public may be used to defeat a patentable invention.

However, the Federal Circuit declined to interpret the post-AIA “on sale” bar as broadly. The Federal Circuit dismissed the floor statements as referring to the separate “public use” bar of Section 102, rather than to the “on sale” bar that was at issue in the *Helsinn* case. The Federal Circuit claimed that the floor statements did not identify any “on sale” bar cases that would be overturned by the AIA amendments, as only “public use” cases were mentioned. The Federal Circuit stated further that even if the floor statements were intended to overrule existing “secret or confidential sale cases,” that would have no effect on its interpretation of post-AIA Section 102(a), because those cases were “concerned entirely with whether the existence of a sale or offer was public,” not whether the patented invention was made public. In contrast, the Federal Circuit noted, there was no dispute in *Helsinn* that the existence and terms of the commercial sale were made public before the critical date.

Helsinn also argued that the AIA did more than overrule those “secret sale” cases, because its inclusion of the “otherwise available to the public” language changed the importance of the Congressional floor statements, to suggest that the on-sale bar does not apply unless the sale “discloses the invention to the public” before the critical date. According to *Helsinn*, since the specific dosage that was recited in the patent claims was not disclosed, the post-AIA “on sale” bar does not apply, because the invention was not “otherwise available to the public.” The Federal Circuit disagreed, and expressed a concern that “requiring such a disclosure as a condition of the on-sale bar would work a fundamental change in the theory of the statutory “on sale” bar. The Federal Circuit relied instead on a Supreme Court case from 1829, *Pennock v. Dialogue*, which held that failing to find a sale invalidating when it withholds the secrets of the invention from the public “would materially retard the progress of science and the useful arts, and give a premium to those who should be least prompt to communicate their discoveries.” According to the Federal Circuit, the primary rationale for the “on sale” bar is that publicly offering a product for sale that embodies the claimed invention places it in the public domain, regardless of when or whether the actual delivery of the product occurs. The Federal Circuit also asserted that its prior decisions did not require that the details of the patented invention be known to the public at the time that the sale or offer for sale was made.

The Federal Circuit ultimately did not believe that the Congressional floor statements showed an intention by Congress to overrule those prior “on sale” cases. The Court interpreted those statements to mean nothing more than the public sale itself would put the patented product in the hands of the public, and there was no suggestion that the sale or offer for sale documents themselves must publicly disclose the details of the claimed invention. The Federal Circuit concluded that if Congress intended to make such a “sweeping change” to the current “on sale” bar jurisprudence by overruling these prior cases

legislatively, “it would do so by clear language.” Although Congress has the authority to legislatively overrule the Federal Circuit’s prior interpretation, the Court did not believe that this intention was stated clearly enough to justify disregarding the Supreme Court’s interpretation in *Pennock*.

Therefore, in spite of the clear change in language of this provision of Section 102(a) and the Congressional floor statements, the Federal Circuit interpreted post-AIA Section 102(a)(1) the same way that it has always interpreted the pre-AIA version. Based on the arguments and evidence that were discussed in *Helsinn*, there is certainly room to question the correctness of the Court’s interpretation of post-AIA Section 102(a)(1). There may also be external factors weighing on the Federal Circuit which explain the Court’s resistance to interpreting post-AIA Section 102(a)(1) as a revision of the “on sale” bar, including the existence of Supreme Court precedent which broadly interpreted what may be “on sale.” The Supreme Court has intervened in recent years to overturn several important Federal Circuit decisions interpreting and applying the patent law, because that Court did not believe that the Federal Circuit had properly applied its precedent. Fear of another reversal of its decision by the Supreme Court may have created further inertia to a reinterpretation of the “on sale” bar, and a hesitation to interpret Congress’s change in that manner. Therefore, for now, patent litigants may continue to rely on the Federal Circuit’s existing precedent when applying the “on sale” bar. If the “on sale” bar is to be further limited, such limitations will most likely have to be imposed by the Supreme Court or by Congress.

Federal Circuit Focuses on Lack of Irreparable Harm In Denying A Permanent Injunction Against Patent Infringement Under *eBay v. MercExchange* Factors

On April 28, 2017 in a precedential decision, the U.S. Court of Appeals for the Federal Circuit in *Nichia Corp. v. Everlight Americas, Inc.* discussed the application of the four-factor test set forth in the Supreme Court’s ruling in *eBay v. MercExchange* for obtaining a permanent injunction that prevents the continuing infringement of a valid U.S. patent. Under the standards set by the *MercExchange* case, a patent owner must satisfy a four factor test in order establish its entitlement to a permanent injunction: 1) that it has suffered an irreparable injury; 2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; 3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and 4) that the public interest would not be disserved by a permanent injunction.

Nichia, the world’s largest supplier of LEDs, had sued Everlight on three of its U.S. patents, which disclose and claim LED package designs and methods of manufacturing LED devices. The LED devices that were accused of infringement are very small, typically smaller than 1 millimeter in height, and find application in LCD backlights, video displays, automotive and general lighting applications. The Federal District Court held a bench trial of Nichia’s claims, and held that Everlight infringed all three patents, and failed to prove, by clear and convincing evidence, that the asserted claims of the three patents are invalid. Despite finding Nichia’s patents to be invalid and infringed, the Court denied Nichia’s request for a permanent injunction that would have stopped Everlight from engaging in any further infringing conduct. The District Court found that Nichia failed to show that it has suffered irreparable harm, and that remedies at law, including monetary damages, would not provide adequate compensation.

On appeal, the Federal Circuit agreed with the District Court that Nichia was not entitled to a permanent injunction. In doing so, the Court ruled that in order to be entitled to an injunction, the patent owner must meet all four equitable factors set forth in *MercExchange*, and it must do so on the merits of its particular case. If one of the factors was missing, then an injunction cannot be entered. In this case, the Federal Circuit focused on the fact that Nichia had not proven that it would be irreparably harmed without an injunction. Without that proof, the Court declined to even discuss the additional issue of whether Nichia had an adequate remedy at law for the infringement. By doing so, the Federal Circuit's decision in *Nichia* can be interpreted as elevating irreparable harm to a status as a threshold issue (or the most important factor) that must be met in any case in which a permanent injunction is issued. Without proof of irreparable harm, the other three factors may take on a lesser significance by the Court, or they may not even be reached. This approach is likely a recognition that irreparable harm is often the most difficult factor to prove in patent infringement cases, so that entitlement to an injunction will naturally turn on whether irreparable harm is or is not present.

In declining to find that Nichia had been irreparably harmed, the Federal Circuit agreed with the district court that the record showed the absence of meaningful competition between the parties, that there was no irreparable harm based on lost sales or "price erosion," and that Nichia's licensing of the patents to major competitors suggested that harm from infringement of the patents is not irreparable. The Federal Circuit did not find that the district court had abused its discretion in weighing the evidence on each factor during the bench trial, so that there was no reason to overturn the district court's finding of no irreparable harm. The Federal Circuit also agreed that the evidence considered by the district court was relevant to whether irreparable harm was present.

In performing its analysis, the Federal Circuit noted that the evidence showed that there was a lack of meaningful competition between the parties, because Nichia was an LED chip manufacturer as well as a packager, while Everlight was solely an LED packager which sells to different customers than Nichia. Any competition in the same market by Everlight was a "drop in the bucket" when compared to Nichia's total sales. As a result, the Court concluded that there was an "absence of actual competition."

With respect to past lost sales, the Federal Circuit agreed that Nichia failed to prove that Everlight was responsible for a single lost sale in the U.S. With respect to price erosion, the Court found that reductions in the price of Nichia's products was dictated by the customers themselves, and by lower price products that were being sold by companies that Nichia had licensed, independent of any infringement by Everlight. Finally, although the Federal Circuit acknowledged that a patent owner's past willingness to license its patents is not sufficient *per se* to establish lack of irreparable harm if a new infringer were licensed, the Court nonetheless agreed in this case Nichia's past licensing of the patents weighted against irreparable harm, because Nichia licensed its patents to its "significant competitors" who pose "major threats" to Nichia's most important products. This resulted in "multiple low-priced non-infringing alternatives" being made available to the market. On that basis, the Federal Circuit affirmed the District Court's denial of a permanent injunction.

The *Nichia* case reaffirms that the issue of irreparable harm will likely be the most important factor that must be demonstrated when seeking a permanent injunction for patent infringement. Evidence of such irreparable harm must be clear and the harm must be substantial. If prior lost sales or price erosion are relied upon, a strong causal nexus must be demonstrated between the lost sales or reduced prices, and the

sale of the infringing products in the market place. Reliance on competition between the parties as a factor must be supported by evidence that those parties play the same roles in the marketplace (*i.e.*, manufacturer, packager, distributor, etc.), and that they compete in the same markets by marketing and selling similar products to the same universe of customers. Failure to provide strong evidence of such factors will likely result in a denial of an injunction. Therefore, *Nichia* continues the trend in patent infringement cases after *MercExchange* where permanent injunctions are difficult to obtain.

Federal Circuit Finds Patent On Encoding And Decoding Facial Image Data is Ineligible Abstract Idea Under Section 101

In a recent precedential decision, the U.S. Court of Appeals for the Federal Circuit in *RecogniCorp, LLC v. Nintendo Co., Ltd* found yet another computer-based patent to be invalid because it claimed ineligible subject matter under 35 U.S.C. 101, according to the Supreme Court's *Alice* decision. RecogniCorp obtained a patent that was directed to a method and apparatus for building a composite facial image using constituent parts. RecogniCorp sued Nintendo for patent infringement. As has become a common tactic in such cases, Nintendo requested that the Federal District Court enter judgment on the parties pleadings (*i.e.* only the parties' Complaint and Answer, and the exhibits attached thereto) that RecogniCorp's patent was invalid because it failed to claim patentable subject matter under Section 101 and *Alice*. The district court granted Nintendo's motion, finding that the patent claims were directed to the abstract idea of encoding and decoding image data, and that the claims do not contain an inventive concept sufficient to render the claimed invention eligible for patenting. The Federal Circuit agreed.

The RecogniCorp patent sought to solve the problem of transmitting large-format images such as bitmap, gif or jpeg, and the degradation in image quality that was often caused by compressing those images into a smaller, more manageable file size. The RecogniCorp patent did so by encoding the image at one end of the process through a variety of image classes that required less memory and bandwidth, and at the other end decoding the images. Claim 1 of the patent was found to be representative:

1. A method for creating a composite image, comprising:

displaying facial feature images on a first area of a first display via a first device associated with the first display, wherein the facial feature images are associated with facial feature element codes;

selecting a facial feature image from the first area of the first display via a user interface associated with the first device, wherein the first device incorporates the selected facial feature image into a composite image on a second area of the first display, wherein the composite image is associated with a composite facial image code having at least a facial feature element code and wherein the composite facial image code is derived by performing at least one multiplication operation on a facial code using one or more code factors as input parameters to the multiplication operation; and

reducing the composite image on a second display based on the composite facial image code.

Under *Alice*, a computer-based invention must first be evaluated to determine whether it is directed to

patent eligible subject matter, rather than to an ineligible abstract idea, law of nature or naturally-occurring phenomenon. If the invention is determined to fall into one of the patent-ineligible categories, then a further inquiry must be made into whether the patent claims an “inventive concept” sufficient to transform the claimed abstract idea into a patent-eligible application. In granting Nintendo’s motion for judgment on the pleadings, the district court found that the patented invention was “directed to the abstract idea of encoding and decoding composite facial images using a mathematical formula.” The court did not issue a *Markman* claim construction ruling, but instead boiled the claims down to their essential elements: 1) displaying potential input variables (*i.e.*, facial features and their modifications); 2) selecting and manipulating the inputs; 3) deriving an output code by performing a “multiplication operation” on the inputs; and 4) outputting the original inputs on another device by performing the sequence in reverse on another device.

The district court then found that the RecogniCorp patent contained no inventive concept, because the patent “consists of the encoding algorithm itself or purely conventional or obvious pre-solution activity and post-solution activity insufficient to transform the unpatentable abstract idea into a patent-eligible application.”

On appeal, the Federal Circuit noted that whether a patented invention claims an inventive concept depends on whether the claims are directed to “a specific means or method” for improving technology or “whether they are simply directed to an abstract end-result.” Software patents may claim eligible subject matter when they are “directed to a specific implementation of a solution to a problem in the software arts,” such as an improvement in the functioning of a computer or computer network, like the internet. In *RecogniCorp*, the Federal Circuit found that the claimed invention is directed to the abstract idea of encoding and decoding image data. The claimed method reflected standard encoding and decoding techniques, which were “an abstract concept long utilized to transmit information.” The Court pointed out that 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 all represented encoding at one end, and decoding at the other. The patent even described the use of “paper strips containing exemplary features” to accomplish a similar technique without computers.

In undertaking this analysis, the Court rejected RecogniCorp’s argument that the mere use of a mathematical formula (*i.e.*, the multiplication step) does not render the claimed invention ineligible, finding instead that this determination must be made based on “the claim as a whole.” The Federal Circuit also rejected RecogniCorp’s argument that the district court “mischaracterized” the claimed invention by focusing on the essential elements of the claim “at such a high level of abstraction and untethered from the claim” that it “all but ensures that the exceptions to Section 101 swallow the rule.” The Court disagreed, and found instead that the language of the patent claims are clearly drawn to encoding and decoding image data, and do not claim a software method that improves the functioning of a computer or network. Instead, the RecogniCorp patent claims a “process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” Finally, the Federal Circuit drew parallels to its decision in *Digitech Image Technologies, LLC v. Electronics for Imaging, Inc.*, because the RecogniCorp patent does nothing more than start with data, code the data using “at least one multiplication operation” and ends with a new form of data, just as the ineligible patent had done in *Digitech*.

Regarding the second step of the *Alice* test, the Federal Circuit noted that an inventive concept must be evident in the patent claims. In reviewing the claims, the Court rejected RecogniCorp’s argument that the

particular combination of claimed elements which comprise the “particular encoding process using the specific algorithm disclosed in the patent,” including the facial feature element codes and pictorial entity symbols recited in the claims, “transforms the abstract idea into a patentable invention.” The Court found that nothing “transforms” the abstract idea of encoding and decoding into patent-eligible subject matter. The presence of a mathematical formula is not sufficient to save the claims, and *RecogniCorp* was not found to have demonstrated a particularized application of encoding and decoding image data, as Claim 1 does not even require a computer. Claim 36’s recitation of a computer only confirmed that the patent is directed to an abstract idea that may be applied with a computer.

RecogniCorp joins an expanding line of cases, decided by the Federal Circuit after *Alice*, where the Court has been dismissive of the inventive qualities of a computer and software-based invention, even where the district court did not conduct a *Markman* process to formally construe the patent’s claims. *RecogniCorp* may also serve to further embolden accused infringers of such computer and software based patents to challenge the patent-eligibility of the claimed inventions very early in a patent infringement case, at the time that the Complaint or Answer is filed. This tactic has been tacitly supported by the Federal Circuit in several of these cases, including *RecogniCorp*, and the defendants have been successful in many of them. Unless it is clear that the computer or software based invention constitutes an improvement to existing computer or network technology, or finds application in a novel, practical form, such defendants will undoubtedly find continued success in obtaining early dismissal of such cases.

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