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Fed. Circ. Reversal Of Alice Order Gives Patent Owners Hope

By **Ryan Davis**

Law360, New York (May 12, 2016, 9:29 PM ET) -- The Federal Circuit's decision Thursday that a judge wrongly oversimplified two database patents when she found that they cover only abstract ideas gives software patent owners a potent tool to fight claims that patents are invalid under Alice and will soon be cited in nearly every case, attorneys say.

The Federal Circuit said that a judge's description of the claimed invention in general terms went too far and could mean that almost any patent could be found invalid under Alice. (Credit: Law360)

The appeals court found that Judge Mariana R. Pfaelzer of the Central District of California was wrong when she concluded in 2014 that Enfish LLC's patents on a type of database asserted against Microsoft Corp. were invalid under the U.S. Supreme Court's Alice ruling for claiming only the abstract idea of organizing information.

The appeals court said that the judge's description of the claimed invention in such general terms, "untethered from the language of the claims," went too far and could mean that almost any patent could be found invalid under Alice, which held that abstract ideas implemented using a computer are not patent-eligible under Section 101 of the Patent Act.

Since the high court decided Alice, scores of patents involving software and the Internet have been found invalid by judges who summarized the claimed invention in broad, general terms, and the Enfish ruling will be embraced by patent owners appealing such decisions or responding to motions seeking invalidity judgments, attorneys say.

The ruling amounts to a reframing of the Alice test as it has been applied by many district judges who have found that software inventions are almost always invalid, according to Robert Sachs of Fenwick & West LLP, who said that “the overall thrust of this decision is very positive for patent owners."

“Given all the pending 101 motions, I’d be surprised if counsel for patentees were not filing papers right now” citing the decision, he said.

The penchant of many district court judges for describing software patents in general terms and thus finding them invalid under Alice "has taken things much too far and resulted in the invalidation of the many patents that should not have been rendered invalid," said Peter Toren of Weisbrod Matteis & Copley PLLC, who frequently represents patent owners.

“This decision is one of the few bright spots in the storm of anti-patent owner Alice decisions over the past year, so hopefully it’s the beginning of a trend in the right direction," he said.

When the Supreme Court issued Alice in 2014, it noted that it was "tread[ing] carefully" in excluding the claims at issue from patent protection for covering abstract ideas, and warned that applying the decision too broadly could "swallow all of patent law." Yet in the months since, courts have cited Alice to invalidate patents at a rapid clip.

According to statistics compiled by Sachs last fall, federal courts have granted about 73 percent of motions seeking to invalidate patents under Alice. Attorneys and litigants will be watching closely to see if the Enfish ruling turns that tide.

“When the Supreme Court said to tread carefully, they didn’t expect statistics like this,” said Yar Chaikovsky of Paul Hastings LLP. “You can’t have a 70 percent grant rate on Alice motions. I’m not aware of any motion since I’ve practiced law, other than a motion to be admitted pro hac vice, that has the success rate Alice motions have.”

The high court said in Alice that when evaluating whether a computer-implemented invention is invalid under Section 101, courts should use a two-part test. First, the court should determine whether the claims are directed to an abstract idea. If they are, the next step is to determine whether the claims include elements showing an inventive concept that transforms the idea into a patent-eligible invention. If not, the claims are not patent-eligible.

The Enfish decision involved only the first step of the test. Judge Pfaelzer, who died in May 2015, said in her 2014 decision that Enfish's patents on a database with all the data on a single table was directed to an abstract idea of "organizing information using tabular formats."

The Federal Circuit disagreed, ruling that the Enfish patents are in fact directed to a specific improvement in the way computers operate, something the justices said in Alice is patent-eligible. As a result, they are not directed to an abstract idea and there is no need to move on to the second step, the court said.

The court then went on to make some wide-ranging statements about how courts should evaluate computer-related patents under Alice.

"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," the court wrote. "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."

Furthermore, the court held that just because a software invention can run on a general-purpose computer, that does not doom the claims, nor does the fact that a software patent is not defined by physical components.

"Much of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes," the court wrote. "We do not see in [Alice] an exclusion to patenting this large field of technological progress."

All of those statements should give comfort to owners of patents for technical software inventions, who now have the backing of the Federal Circuit when they argue that the claims should not be summarized in broad terms.

The analysis described by the Federal Circuit represents “a significant departure from what has been happening so far,” Sachs said. “The court is saying that this is not a quick look, it’s a substantive analysis. Otherwise you end up swallowing the law.”

The decision is important because it makes clear that not all software claims are abstract ideas, a position some district judges appear to have taken, attorneys said. It also calls for more rigorous evaluations of whether a patent covers an abstract idea and frowns on high-level generalizations.

“This will be something that will be cited by patent owners a lot in district court, because it’s the first opinion post-Alice that really puts teeth into what is meant by step one of the test," Chaikovsky said.

Enfish is represented by Orion Armon, James P. Brogan and Janna Fischer of Cooley LLP.

Microsoft and the co-defendants are represented by Chad S. Campbell, Dan L. Bagatell, Elizabeth M. Banzhoff, Amanda D.W. Tessar and Theodore H. Wimsatt of Perkins Coie LLP, and William J. Brown Jr., Yuanjun Lily Li and Matthew K. Wegner of Brown Wegner & Berliner LLP.

The case is Enfish LLC v. Microsoft Corp., case number 15-1244, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Mark Lebetkin and Patricia K. Cole.
