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# Alice's Adventures in Oz: Revealing the Man Behind the Curtain

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## ***ALICE'S ADVENTURES IN OZ: REVEALING THE MAN BEHIND THE CURTAIN***

*David Swetnam-Burland & Stacy O. Stitham*

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“Would you tell me, please, which way I ought to go from here?”

“That depends a good deal on where you want to get to,” said the Cat.

“I don’t much care where—” said Alice.

“Then it doesn’t much matter which way you walk,” said the Cat.

“—so long as I get somewhere,” Alice added as an explanation.<sup>1</sup>

The Lion thought it might be as well to frighten the Wizard, so he gave a large, loud roar, which was so fierce and dreadful that Toto jumped away from him in alarm and tipped over the screen that stood in a corner. As it fell with a crash they looked that way, and the next moment all of them were filled with wonder. For they saw, standing in just the spot the screen had hidden, a little old man, with a bald head and a wrinkled face, who seemed to be as much surprised as they were. The Tin Woodman, raising his axe, rushed toward the little man and cried out, “Who are you?”

“I am Oz, the Great and Terrible,” said the little man, in a trembling voice.<sup>2</sup>

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1. LEWIS CARROLL, *ALICE'S ADVENTURES IN WONDERLAND* 89 (The MacMillan Company 1898) (1865).

2. L. FRANK BAUM, *THE WONDERFUL WIZARD OF OZ* 156 (George M. Hill Co. 1900).

## I. INTRODUCTION

Dorothy Gale’s fictional adventures in the Land of Oz may seem to have little bearing on the Supreme Court’s pronouncements on the topic of patentable subject matter, most recently given voice in *Alice Corp. Pty. Ltd. v. CLS Bank International*.<sup>3</sup> Just as another Alice wondered why a raven was like a writing desk, the reader may wonder what fictional flights of fancy have to do with the sober functions of patent laws. This Article, however, argues that the Supreme Court’s recent patent-eligibility jurisprudence marks a clear decision of the high court that 35 U.S.C. § 101 (“Section 101”) must serve as a bulwark against the preemption of future innovation and that patent eligibility cannot turn on the “draftsman’s art,” i.e., magic words that can generate patent eligibility where it otherwise would not be present. Given its own choice of directions, the Supreme Court has chosen to read Section 101 as playing a strong, vital, quasi-jurisdictional role. In the movie version of *The Wonderful Wizard of Oz*, the Wizard warns Dorothy to pay no attention to the man behind the curtain.<sup>4</sup> According to the Supreme Court’s contrariwise thinking, in the world of *Alice*, Section 101 can and should be used early in litigation to distinguish a genuine, patentable invention from a sham—that is, to expose to scrutiny the idea behind the curtain.

## II. ALICE’S ORIGINS

It is no secret that relations between the Supreme Court and the Court of Appeals for the Federal Circuit have grown somewhat strained in recent years. As recently as 2010, the Supreme Court appeared to share the Federal Circuit’s uncertainty about how Section 101 should and might be used to deal with the proliferation of business method and software patents without stifling innovation. In *Bilski v. Kappos*,<sup>5</sup> Justice Anthony Kennedy, writing for the majority in a fractured set of opinions, noted that the Federal Circuit’s en banc consideration of the case had generated “five different opinions.”<sup>6</sup> Far from decrying this state of affairs, Justice Kennedy wrote that “[s]tudents of patent law would be well advised to study these scholarly opinions.”<sup>7</sup> Despite universal agreement that the patent-at-issue was *not* subject-matter eligible, the

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3. *Alice Corp. Pty. Ltd v. CLS Bank Int’l*, 134 S. Ct. 2347 (U.S. 2014).

4. *THE WIZARD OF OZ* (Metro-Goldwyn-Mayer 1939).

5. *Bilski v. Kappos*, 561 U.S. 593 (2010).

6. *Id.* at 600.

7. *Id.*

Supreme Court split over whether Section 101 was “*only* a threshold test,”<sup>8</sup> or “*impose[d]* a threshold condition.”<sup>9</sup> Was Section 101 a speed bump on the path to patentability? Or was it a checkpoint at a closely-guarded border crossing?

By 2014, the Supreme Court appeared to have grown weary of the Federal Circuit’s scholarly opinions. In *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, Justice Samuel Alito, writing for a unanimous Supreme Court, made the following blunt and striking statement: “The Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent.”<sup>10</sup> The rebuke was plain. A now-unanimous Supreme Court was telling a still-splintered Federal Circuit that it had made a fundamental error in its understanding of the basics of a subject matter over which it has exclusive jurisdiction.

For present purposes, we can ignore the ins and outs of induced infringement, the doctrinal issue addressed in *Limelight*. Our focus is on the structure of the Supreme Court’s directive to the Federal Circuit. In broad strokes, the Supreme Court instructed the Federal Circuit to behave less like scholars and more like judges—that is, to apply the law in its current form, not to bend it to new purposes. Under Supreme Court authority, Justice Alito wrote, a method claim cannot be infringed unless all of its steps are performed.<sup>11</sup> Under Federal Circuit authority, he continued, infringement of a method claim cannot occur unless there is some defendant actually performing all of those steps or directing or controlling those who do.<sup>12</sup> That is, there can be no infringement without a (single) infringer. Unless and until the Federal Circuit or the Supreme Court overturns *Muniauction Inc. v. Thomson Corp.*, the Federal Circuit must apply it. It cannot, the Supreme Court suggested, perform an end-run around its own case law to achieve a policy goal, whether that goal is laudable or laughable.

Shortly after *Limelight*, the Supreme Court decided *Alice*, the fourth in the recent quartet of Section 101 cases that began with *Bilski*. Two years previous, in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*,<sup>13</sup> a unanimous Supreme Court had “set forth a framework for distinguishing patents that claim laws of nature, natural

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8. *Id.* at 602 (emphasis added).

9. *Id.* at 621 (Stevens, J., concurring) (emphasis added).

10. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (U.S. 2014).

11. *Id.*

12. *Id.* (citing *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008)).

13. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (U.S. 2012).

phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.”<sup>14</sup> Under that framework, a court confronted with a Section 101 challenge to the claims of an asserted patent begins by determining whether the claims at issue are directed to one of those patent-ineligible concepts.<sup>15</sup> If so, then the court must ask whether elements of each claim, both individually and as an ordered combination, transform the nature of the claim into a patent-eligible application.<sup>16</sup>

In *Mayo*, not only did the Supreme Court announce this test, it explained what this test was to accomplish, the reason why Section 101 matters, and why it matters differently from other provisions of Title 35 of the United States Code.<sup>17</sup> The patent laws exist to promote innovation and discovery. But for the monopoly power of a patent to perform that public good, it cannot be allowed “to inhibit further discovery by improperly tying up the future use of laws of nature.”<sup>18</sup>

[T]here is a danger that the grant of patents that tie up their use will inhibit future innovation premised upon them, a danger that becomes acute when a patented process amounts to no more than an instruction to “apply the natural law,” or otherwise forecloses more future invention than the underlying discovery could reasonably justify.<sup>19</sup>

Thereafter, in its 2013 opinion in *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, the Supreme Court reaffirmed the existence of three long-standing limitations on patent-eligible subject matter: “We have long held that [Section 101] contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.”<sup>20</sup>

This paved the way for application of the *Mayo* test in *Alice*, a unanimous opinion confirming that the two-step test, applied in *Mayo* to a patent claiming a law of nature, applies equally to patents claiming abstract ideas.<sup>21</sup> Under *Alice*, a court looks at a patent’s claims to see if

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14. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (U.S. 2014).

15. *Id.* (citing *Mayo*, 132 S. Ct. at 1296-97).

16. *Id.* (citing *Mayo*, 132 S. Ct. at 1297).

17. *See Mayo*, 132 S. Ct. at 1304 (“declin[ing] the Government’s invitation to substitute [35 U.S.C.] §§ 102, 103, and 112 inquiries for the better established inquiry under § 101”).

18. *Id.* at 1301.

19. *Id.* (citations omitted).

20. *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (U.S. 2013).

21. *Alice*, 134 S. Ct. at 2355. In a separate concurrence, Justices Sotomayor, Ginsburg, and Breyer stake out the position that business methods should be declared categorically patent-ineligible. *Id.* at 2360-61.

they claim an abstract idea.<sup>22</sup> If it does, it then examines the elements of the claims to see if they contain a sufficient inventive concept to transform the claimed abstract idea into a patent-eligible application.<sup>23</sup> Importantly, the *Alice* opinion identifies several ways in which a patent applicant *cannot* achieve this goal: by describing the abstract idea as implemented on a general purpose computer; by adding token, post-solution components to the abstract idea; or by narrowing the abstract idea to a particular field of use.<sup>24</sup>

### III. INTRODUCING ALICE

In the clear pronouncements in *Mayo* and *Alice* of a two-part test for subject-matter eligibility there is a turn away from the fractured holding of *Bilski*, which offered no test at all. In affirming the ineligibility of a patent that most agreed was dead on arrival, the Court in *Bilski* rejected as too rigid the Federal Circuit's machine-or-transformation test. The Court held that, although the test offered "a useful and important clue" and "an investigative tool," no one test could embody a single scale on which patent eligibility could be weighed.<sup>25</sup> Instead of "adopting categorical rules that might have wide-ranging and unforeseen impacts, the Court resolve[d]" *Bilski* on the narrower ground "that petitioners' claims are not patentable processes because they are attempts to patent abstract ideas."<sup>26</sup>

What changed between *Bilski* and *Alice*? Struggling in the wake of *Bilski* to create a non-abstract way to measure abstractness, the Federal Circuit (and patent litigators) divided into two camps. In one camp, self-proclaimed pragmatists argued the best way to deal with Section 101 was *not* to deal with Section 101, suggesting that it should be the doctrine of last resort once other (clearer) doctrines of invalidity had been applied.<sup>27</sup> We have elsewhere referred to this viewpoint as the

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22. *Id.* at 2355.

23. *Id.* at 2357.

24. *Id.* at 2357-59.

25. *Bilski v. Kappos*, 561 U.S. 593, 604 (2010).

26. *Id.* at 609.

27. See *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250 (Fed. Cir. 2012) (Plager, J.); *DealerTrack, Inc. v. Huber*, 674 F.3d 1315, 1335 (Fed. Cir. 2012) (Plager, J., dissenting) ("I believe that this court should exercise its inherent power to control the processes of litigation, and insist that litigants, and trial courts, initially address patent invalidity issues in infringement suits in terms of the defense provided in the statute: 'conditions of patentability,' specifically §§ 102 and 103, and in addition §§ 112 and 251, and not foray into the jurisprudential morass of § 101 unless absolutely necessary.") (citation omitted); see also Dennis Crouch & Robert P. Merges, *Operating Efficiently Post-Bilski by Ordering Patent Doctrine Decision-Making*, 25 BERKELEY TECH. L.J. 1673, 1674

“functional view.”<sup>28</sup>

In the other camp fell those who concluded that, as a matter of court precedent and chronology, Section 101 poses “an ‘antecedent question’ that must be addressed before this court [the Federal Circuit] can consider whether particular claims are invalid as obvious or anticipated.”<sup>29</sup> Since the Supreme Court in *Bilski* described Section 101 as a “threshold test,”<sup>30</sup> a court has no choice but to apply Section 101 before considering any other potential flaws in a claimed invention. We have elsewhere referred to this viewpoint as the “jurisdictional view.”<sup>31</sup>

Welcome or not, in Section 101 lies an opportunity for a patent law doctrine of a different color. While the Federal Circuit may have always considered the fate of Section 101 to be an academic inquiry, district courts saw its promise as the straightest line to a final judgment.<sup>32</sup>

Under the jurisdictional view, Section 101 could play a valuable gate-keeping function, and in such fashion, its early application could in fact be more pragmatic than the so-called “pragmatic” view espoused by functionalists; namely, that Section 101 should be left for consideration only after more narrowly-tailored and better-defined invalidity doctrines have been considered.<sup>33</sup> The post-*Bilski*, pre-*Alice* district court case law applying Section 101 at early stages of patent cases suggested that early case evaluation of Section 101 could produce dispositive results without the need for the court and the parties to spend time and money on extensive discovery, claim construction, and summary judgment practice. Such results served the interests of justice and efficiency and suggested that Section 101 need not present the feared “morass” at the

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(2010) (“Rather than try to cut through the complexity of *Bilski*, or predict how it will be applied, we talk about how to avoid it.”).

28. See David Swetnam-Burland & Stacy O. Stitham, *Patent Law 101: The Threshold Test as Threshing Machine*, 21 TEX. INTELL. PROP. L.J. 135, 136 (2013).

29. *MySpace*, 672 F.3d at 1264 (Mayer, J., dissenting) (citation omitted); see *DealerTrack*, 674 F.3d at 1330 n.3 (Linn, J.).

30. *Bilski*, 561 U.S. at 602.

31. See Swetnam-Burland & Stitham, *supra* note 28, at 136.

32. See, e.g., *Bancorp Servs., LLC v. Sun Life Assurance of Can.*, 771 F. Supp. 2d 1054 (E.D. Mo. 2011) (granting summary judgment on grounds that the asserted claims flunked the *Bilski* test, declining to table consideration of the Section 101 arguments until after claim construction, and noting that there “is no requirement that claims construction be completed before examining patentability”); *Graff/Ross Holdings LLP v. Fed. Home Loan Mortg. Corp.*, No. 07-796 (RJL)(AK), 2010 WL 6274263 (D.D.C. Aug. 27, 2010) (treating motion to dismiss on Section 101 grounds as a motion for summary judgment, but finding that defendant had met burden to show that the asserted claims attempted to patent an abstract idea); *Glory Licensing LLC v. Toys ‘R’ Us, Inc.*, No. 09-4252 (FSH), 2011 WL 1870591 (D.N.J. May 16, 2011) (granting a motion to dismiss on grounds that the asserted patents claimed abstract ideas and were not patentable under Section 101).

33. Swetnam-Burland & Stitham, *supra* note 28, at 147.

district court level.

Nonetheless, until the test articulated by *Mayo* and *Alice*, the gate-keeping potential of Section 101 was likely to remain more promise than practice: without a clear doctrine of subject-matter eligibility, in the vast majority of cases it would seem safer and more straightforward to go through the exercise of claim construction and apply the narrower doctrines of invalidity. This result would be unfortunate to the extent that it overlooked the unique role of and opportunity presented by Section 101. Patents that claim nothing more than a law of nature or an abstract idea, however novel, risk the “danger that the grant of patents that tie up their use will inhibit future invention premised upon them.”<sup>34</sup> “The other tools of validity—anticipation, obviousness, written description, or indefiniteness—do not address this concern and were not intended to do so.”<sup>35</sup> Moreover, “Section 101 is vital in addressing the proliferation of subclasses of patents that have a common defect of patentability, but may not share any of the defects covered by the other doctrines of validity.”<sup>36</sup> It is hardly efficient or effective to eliminate such patents one by one on the narrowest possible grounds.

In examining the post-*Bilski* debate, we observed:

As patents compound the cost of doing business and the cost of patent litigation continues to rise above the value of many patented inventions, the difficult work of defining the scope of patent eligibility becomes increasingly vital. Whether that scope is conceived more or less broadly, inventors, patent examiners, litigants, lawyers, and district judges need ongoing guidance on how to conceive those boundaries so that they may value their patents, evaluate patent applications, make business decisions regarding licensing, advise their clients on whether to sue or settle, and decide cases.<sup>37</sup>

In *Mayo* and *Alice*, the Supreme Court provided that ongoing guidance.

#### IV. FOLLOWING ALICE DOWN THE RABBIT HOLE

Now that the Supreme Court has plunked for the jurisdictional view of Section 101 in *Mayo* and again in *Alice*, have the results matched the expectations? By and large, it has. Subject matter-ineligible patents are being identified and eliminated through early case motion practice.

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34. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1301 (U.S. 2012).

35. Swetnam-Burland & Stitham, *supra* note 28, at 151.

36. *Id.*

37. *Id.* at 151-52.



As of the date of writing, we are aware of twenty-six post-*Alice* decisions that have applied the two-part Section 101 test, which are listed below.

1. *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (affirming judgment of invalidity on the pleadings);
2. *Digitech Image Technologies, LLC v. Electronics for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014) (affirming summary judgment of invalidity);
3. *Planet Bingo, LLC v. VKGS, LLC*, 576 F. App'x 1005 (Fed. Cir. 2014) (affirming summary judgment of invalidity);
4. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014) (affirming motion to dismiss);
5. *DietGoal Innovations LLC v. Bravo Media LLC*, 33 F. Supp. 3d 271 (S.D.N.Y. 2014) (granting motion for summary judgment);
6. *Comcast IP Holdings I, LLC v. Sprint Communications Co. L.P.*, No. 12-205-RGA, 2014 WL 3542055 (D. Del. July 16, 2014) (granting motion for partial summary judgment);
7. *Data Distribution Technologies, LLC v. BRER Affiliates, Inc.*, No. 12-4878 (JBS/KMW), 2014 WL 4162765 (D.N.J. Aug. 19, 2014) (denying motion to dismiss without prejudice);
8. *CMG Financial Services, Inc. v. Pacific Trust Bank, F.S.B., Co.* CV 11-10344 PSG (MRWx), 2014 WL 4922349 (C.D. Cal. Aug. 29, 2014) (granting motion for summary judgment);
9. *Genetic Technologies Ltd. v. Laboratory Corp. of America Holdings*, No. 12-1736-LPS-CJB, 2014 WL 4379587 (D. Del. Sept. 3, 2014) (report and recommendation that the court grant motion to dismiss);
10. *Walker Digital, LLC v. Google, Inc.*, No. 11-318-LPS, 2014 WL 4365245 (D. Del. Sept. 3, 2014) (granting motion for summary judgment);
11. *Loyalty Conversion Systems Corporation v. American Airlines, Inc.*, No. 2:13-CV-655, 2014 WL 4364848 (E.D. Tex. Sept. 3, 2014) (granting motion for judgment on the pleadings);
12. *TuxisTechnologies, LLC v. Amazon.com, Inc.*, No. 13-1771-RGA, 2014 WL 4382446 (D. Del. Sept. 3, 2014) (granting motion to dismiss);
13. *Eclipse IP LLC v. McKinley Equipment Corporation*, No.

- SACV 14-742-GW (AJWx), 2014 WL 4407592 (C.D. Cal. Sept. 4, 2014) (granting motion to dismiss);
14. *Autoform Engineering GMBH v. Engineering Technology Associates, Inc.*, No. 10-14141, 2014 WL 4385855 (E.D. Mich. Sept. 5, 2014) (denying cross-motions for summary judgment);
  15. *Every Penny Counts, Inc. v. Wells Fargo Bank, N.A.*, No. 8:11-cv-2826-T-23TBM, 2014 WL 4540319 (M.D. Fla. Sept. 11, 2014) (granting motion for summary judgment);
  16. *Helios Software, LLC v. SpectorSoft Corporation*, No. 12-081-LPS, 2014 WL 4796111 (D. Del. Sept. 18, 2014) (denying motion for partial summary judgment);
  17. *Open Text S.A. v. Alfresco Software Ltd.*, No. 13-cv-04843-JD, 2014 WL 4684429 (N.D. Cal. Sept. 19, 2014) (granting motion to dismiss);
  18. *McRO, Inc., d.b.a. Planet Blue v. Sega of America, Inc.*, No. CV 12-10327-GW (FFMx), 2014 WL 4749601 (C.D. Cal. Sept. 22, 2014) (granting motion for judgment on the pleadings in multiple consolidated cases);
  19. *Card Verification Solutions, LLC v. Citigroup Inc.*, No. 13-C-6339, 2014 WL 4922524 (N.D. Ill. Sept. 29, 2014) (denying motion to dismiss);
  20. *Cogent Medicine, Inc. v. Physicians Interactive Holdings, Inc.*, Nos. C-13-4479-RMW, C-13-4483, C-13-4486, 2014 WL 4966326 (N.D. Cal. Sept. 30, 2014) (granting motion to dismiss);
  21. *DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, No. 2:12-cv-00764-WCB-RSP, 2014 WL 4961992 (E.D. Tex. Oct. 3, 2014) (granting motion for summary judgment);
  22. *AmDocs (Israel) Ltd. v. Openet Telecom, Inc.*, No.1:10cv-910, 2014 WL 5430956 (E.D. Va. Oct. 24, 2014) (granting motion for judgment on the pleadings);
  23. *Wolf v. Capstone Photography, Inc.*, No. 2:13-CV-09573, 2014 WL 7639820 (C.D. Cal. Oct. 28, 2014) (granting motion for judgment on the pleadings);
  24. *Genetic Technologies Ltd. v. Bristol-Myers Squibb Co.*, Nos. 12-394-LPS, 12-396-LPS, 2014 WL 5507637 (D. Del. Oct. 30, 2014) (granting motion to dismiss);
  25. *Enfish, LLC v. Microsoft Corp.*, No. 2:12-CV-7360-MRP-MRW, 2014 WL 5661456 (C.D. Cal. Nov. 3, 2014)

- (granting motion for summary judgment);
26. *Ameranth, Inc. v. Genesis Gaming Solutions, Inc.*, Nos. SACV 11-00189, SACV 13-00720 AG (RNBx), 2014 WL 7012391 (C.D. Cal. Nov. 12, 2014) (denying motion for summary judgment).

In the four cases it has decided, the Federal Circuit has affirmed rulings below that asserted patents were not subject-matter eligible. Two of these affirmances were from judgments rendered on the pleadings, one from a motion to dismiss, and one from a motion for judgment on the pleadings. Of the twenty-two district court cases, seventeen determined that asserted patents were not subject-matter eligible. Ten of those determinations were made on the pleadings, either on a motion to dismiss or a motion for judgment on the pleadings.

The claimed abstract ideas held to be subject-matter ineligible include:

- A “transaction performance guaranty”;<sup>38</sup>
- “[A]n ineligible abstract process of gathering and combining data”;<sup>39</sup>
- “[M]anaging a bingo game while allowing a player to repeatedly play the same sets of numbers in multiple sessions”;<sup>40</sup>
- Computerized meal-planning;<sup>41</sup>
- Receiving a request and determining whether the request requires a user prompt;<sup>42</sup>
- Paying down a mortgage early when funds are available and borrowing funds as needed to reduce the overall interest charged;<sup>43</sup>
- “[C]ontrolled exchange of information about people as historically practiced by matchmakers and headhunters”;<sup>44</sup>

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38. *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014).

39. *Digitech Image Techs. LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1351 (Fed. Cir. 2014).

40. *Planet Bingo, LLC v. VKGS LLC*, 576 F. App’x 1005, 1007 (Fed. Cir. 2014).

41. *DietGoal Innovations LLC v. Bravo Media LLC*, 33 F. Supp. 3d 271, 274 (S.D.N.Y. 2014).

42. *Comcast IP Holdings I, LLC, v. Sprint Commc’ns Co.*, No. 12-205-RGA, 2014 WL 3542055, at \*3 (D. Del. July 16, 2014).

43. *CMG Fin. Servs. v. Pac. Trust Bank, F.S.B.*, No. CV 11-10344 PSG(MRWx), 2014 WL 4922349, at \*17 (C.D. Cal. Aug. 29, 2014).

44. *Walker Digital, LLC v. Google, Inc.*, No. 11-318-LPS, 2014 WL 4365245, at \*5 (D. Del. Sept. 3, 2014).

- Computer-implemented upselling;<sup>45</sup>
- “[A]sking someone whether they want to perform a task, and if they do, waiting for them to complete it, and if they do not, asking someone else”;<sup>46</sup>
- “[R]egularly and frequently capturing a small and inconspicuous quantity and segregating and retaining the captured quantities until the quantities accumulate into a large quantity”;<sup>47</sup>
- “[A] very simple computer-driven method to engage in the commonplace and time-honored practice of interacting with customers to promote marketing and sales”;<sup>48</sup> and
- “[T]he abstract idea of maintaining and searching a library of information.”<sup>49</sup>

Certain recurring principles or themes are beginning to emerge from these cases. *First*, the rule excluding laws of nature, natural phenomena, and abstract ideas from patent-eligibility is a bright-line rule that has no exceptions.<sup>50</sup> The rule applies to abstract ideas without regard to how broadly or narrowly they are defined.<sup>51</sup>

*Second*, the analysis focuses on the claims, not the specification. If the specification describes a concrete and tangible application of an abstract idea, but the claims do not, the specification cannot save the claims.<sup>52</sup>

*Third*, considering whether a human being with pencil and paper could perform the functions claimed in the patent is a useful judicial

45. *Tuxis Techs., LLC v. Amazon.com, Inc.*, No. 13-1771-RGA, 2014 WL 4382446, at \*3 (D. Del. Sept. 3, 2014).

46. *Eclipse IP LLC v. McKinley Equip. Corp.*, No. SACV 14-742-GW(AJWx), 2014 WL 4407592, at \*7 (C.D. Cal. Sept. 4, 2014).

47. *Every Penny Counts, Inc. v. Wells Fargo Bank, N.A.*, No. 8:11-cv-2826-T-23TBM, 2014 WL 4540319, at \*4 (M.D. Fla. Sept. 11, 2014).

48. *Open Text S.A. v. Alfresco Software Ltd.*, No. 13-cv-04843-JD, 2014 WL 4684429, at \*4 (N.D. Cal. Sept. 19, 2014).

49. *Cogent Med., Inc. v. Elsevier Inc.*, Nos. C-13-4479-RMW, C-13-4483, C-13-4486, 2014 WL 4966326, at \*4 (N.D. Cal. Sept. 30, 2014).

50. *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353 (Fed. Cir. 2014) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303 (U.S. 2012)).

51. *See id.* at 1352 (“[T]he Court has ruled that the exclusion applies if a claim involves a natural law or phenomenon or abstract idea, even if the particular natural law or phenomenon or abstract idea at issue is narrow.”).

52. *See Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (U.S. 2014) (“[W]e consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application.”) (internal quotation omitted).

heuristic.<sup>53</sup>

*Fourth*, the mere speed and efficiency of a computer cannot render an abstract idea concrete.<sup>54</sup> Rather, a computer must do something more than speed up an abstract process to create eligible subject matter for a claim.

Further, the district courts are starting to wrestle with the relationship between the *Alice* test and other patent law doctrines, such as novelty or the significance of the prior art. The Federal Circuit, for example, has made plain that a *novel* idea may nonetheless be abstract. “We do not agree . . . that the addition of merely novel or non-routine components to the claimed idea necessarily turns an abstraction into something concrete. In any event, any novelty in implementation of the idea is a factor to be considered only in the second step of the *Alice* analysis.”<sup>55</sup>

And prior art cited in the specification may be used to determine whether the claim language asserts an inventive concept or an idea already acknowledged in the field.<sup>56</sup> In *McRO*, the prior art cited in the specification demonstrated that the only element of the claimed invention not disclosed in the prior art was the use of rules.<sup>57</sup> Because the claims purported to cover any and all rules that might be used to automate a process long-known in the art, the actual invention was, despite the appearance of concreteness and tangibility in the claim language, an ineligible abstract idea.<sup>58</sup>

53. See *Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, No. 2:13-CV-655, 2014 WL 4364848, at \*10 (E.D. Tex. Sept. 2, 2014) (“As confirmation of the simplicity of the functions that the claims assign to computers, it is clear that each of the functions recited in the asserted claims . . . could be performed by a human being without the aid of a computer of any kind.”); *Tuxis Techs., LLC v. Amazon.com, Inc.*, No. 13-1771-RGA, 2014 WL 4382446, at \*5 (D. Del. Sept. 3, 2014) (“A human being can generate an upsell recommendation ‘during the course of the user initiated communication,’ although not perhaps with the efficiency or speed of a computer.”); *Eclipse IP LLC v. McKinley Equip. Corp.*, No. SACV 14-742-GW(AJWx), 2014 WL 4407592, at \*6 (C.D. Cal. Sept. 4, 2014). (“McKinley correctly points out that all of the recited steps of claim 1 can be performed by a person talking on the phone.”); *Planet Bingo, LLC v. VKGS LLC*, 576 F. App’x 1005, 1007 (C.D. Cal.2014).

54. See *Tuxis Techs.*, 2014 WL 4382446 at \*5 (quoting *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Can. (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012); and *DealerTrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012)) (increased speed or efficiency of computer-implementation not sufficient to confer patent eligibility).

55. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014).

56. See *McRO, Inc., d.b.a. Planet Blue v. Sega of Am., Inc.*, No. CV 12-10327-GW (FFMx), 2014 WL 474960, at \*9 (C.D. Cal. Sept. 22, 2014) (“However, for purposes of the § 101 analysis, it is not enough to view the claims in isolation. Instead, when determining whether a patent contains an adequate inventive concept, the Court must factor out conventional activity.”).

57. See *id.* at \*10-11.

58. See *id.* at \*11 (citing *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2359 (U.S.

In his summary judgment order in *Loyalty Conversion*, Federal Circuit Judge William C. Bryson, sitting by designation, has provided perhaps the clearest statement to date of the features common to subject matter-ineligible claims to abstract ideas:

(1) they recite methods for performing a commonplace business function—such as currency conversion, hedging, or employing intermediated settlement in a financial transaction—typically by using a computer system or computer components to perform those methods; (2) they are aspirational in nature in that they describe the business function, but do not describe any novel manner of performing that function other than referring to the use of routine operations performed by a specially program[m]ed computer; and (3) the recitations referring to the use of a computer do not include any inventive measure that “purport[s] to improve the functioning of the computer itself. . . .

In short, such patents, although frequently dressed up in the argot of invention, simply describe a problem, announce purely functional steps that purport to solve the problem, and recite standard computer operations to perform some of the steps. The principal flaw in these patents is that they do not contain an “inventive concept” that solves practical problems and ensures that the patent is directed to something “significantly more than” the ineligible abstract idea itself.<sup>59</sup>

In sum, this case law shows the Federal Circuit and the district courts doing their basic judicial work, applying the two-step *Alice* test to patents at the motion to dismiss, motion for judgment on the pleadings, or summary judgment stages; doing so conscientiously and deliberatively; and reaching decisions that penetrate the often murky language in which patent claims are drafted to reveal the “inventive concept” within. Whether one agrees with the policy underlying the jurisdictional view of Section 101 or not, the evidence to date suggests that this policy can be and is being implemented effectively and efficiently, allowing for some cases to be resolved at the pleadings stage.

#### IV. THE IDEA BEHIND THE CURTAIN

We close with a discussion of the most recent case to be decided by the Federal Circuit under *Alice* as of the time of writing, which has the paradoxical distinction of also being one of the earliest post-*Bilski* cases

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2014), quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (U.S. 2012)).

59. *Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, No. 2:13-CV-655, 2014 WL 4364848, at \*13 (E.D. Tex. Sept. 2, 2014) (citations omitted).

to put the question of Section 101 plainly before the Federal Circuit and the Supreme Court: *Ultramercial, Inc. v. Hulu, LLC*.<sup>60</sup> *Ultramercial* encapsulates both the tensions between the Federal Circuit and the Supreme Court over Section 101, and the resolution of those tensions by *Alice*. As such, the outcome of *Ultramercial* provides some measure of closure while, at the same time, presaging future battles within the Federal Circuit that may require Supreme Court intervention.

On August 13, 2010, two months after *Bilski*, Judge R. Gary Klausner of the Central District of California granted a defense motion to dismiss the plaintiff's complaint for failure to state a claim. Judge Klausner ruled that the plaintiff's patent to a method for allowing Internet users to view copyrighted material free of charge in exchange for watching certain advertisements was subject-matter ineligible under Section 101.<sup>61</sup>

On September 15, 2011, in an opinion written by then-Chief Judge Randall R. Rader, the Federal Circuit reversed.<sup>62</sup> In so concluding, Judge Rader wrote, "[S]ubject matter eligibility is merely a threshold check; claim patentability ultimately depends on 'the conditions and requirements of this title,' such as novelty, obviousness, and adequate disclosure. 35 U.S.C. § 101."<sup>63</sup> Section 101 was, in Judge Rader's view, a "coarse eligibility filter."<sup>64</sup>

On May 21, 2012, the Supreme Court granted a petition for writ of certiorari, vacated the judgment, and remanded the case to the Federal Circuit for reconsideration in light of *Mayo*.<sup>65</sup>

On June 21, 2013, the Federal Circuit, in another opinion written by Judge Rader, reversed again.<sup>66</sup> In this opinion, Judge Rader expressed the view that "it will be rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter. This is so because every issued patent is presumed to have been issued properly, absent clear and convincing evidence to the contrary."<sup>67</sup>

On June 30, 2014, the Supreme Court granted a second petition for writ of certiorari, vacated the judgment, and remanded the case to the

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60. *Ultramercial*, 772 F.3d 709.

61. See *Ultramercial, LLC v. Hulu, LLC*, No. CV 09-06918 RGK (PLAx), 2010 WL 3360098 (C.D. Cal. Aug. 13, 2010).

62. See *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011).

63. *Id.* at 1326 (citation omitted).

64. *Id.* (quotation omitted).

65. See *Wildtangent, Inc. v. Ultramercial, LLC*, 132 S. Ct. 2431 (U.S. 2012).

66. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013).

67. *Id.* at 1338 (citations omitted).

Federal Circuit for reconsideration in light of *Alice*.<sup>68</sup>

On November 14, 2014, the Federal Circuit affirmed the district court's grant of the motion to dismiss, finding that "the added benefit of the Supreme Court's reasoning in *Alice*" tipped the balance in favor of the judgment that the claims were subject-matter *ineligible*.<sup>69</sup> Under *Alice*, the analysis of the subject-matter eligibility of the asserted patent on the pleadings proved abecedarian.<sup>70</sup> That is to say, application of the two-part *Alice* test made it possible for the Federal Circuit to affirm the early case decision of Judge Klausner that the asserted patent claimed an abstract idea.

In this most recent chapter of the *Ultramercial* saga, not only did the appellate outcome change, but also the composition of the panel, with Judge Haldane R. Mayer replacing the retired Chief Judge Rader. And that change offered Judge Mayer the opportunity to pen a concurrence that cogently sets out issues decided *and* raised by *Alice* (in his view and ours). *First*, Judge Mayer offers his endorsement of the jurisdictional view of Section 101.<sup>71</sup> Section 101 "is the primal inquiry, one that must be addressed at the outset of litigation."<sup>72</sup> The legal requirement that district courts conduct the Section 101 inquiry first has, in turn, practical benefits: it conserves judicial resources because it frames an issue that can be decided on the pleadings; it presents a "bulwark against vexatious infringement suits"; and it protects the public by serving as "the most efficient and effective tool for clearing the patent thicket, weeding out those patents that stifle innovation and transgress the public domain."<sup>73</sup>

*Second*, Judge Mayer calls out the new elephant in the Section 101 room: the standard of proof for the trial court to apply in making the Section 101 determination. While the Supreme Court has held that patent invalidity must be decided by clear and convincing evidence because of the presumption that an issued patent is valid,<sup>74</sup> the Supreme Court made clear in *Mayo*, and then in *Alice*, that Section 101 is a different animal. As Judge Mayer notes, "[a]lthough the Supreme Court has taken up several section 101 cases in recent years, it has never

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68. See *Wildtangent, Inc. v. Ultramercial, LLC*, 134 S. Ct. 2870 (U.S. 2014).

69. See *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713 (Fed. Cir. 2014).

70. See *id.* at 715.

71. See *id.* at 718 ("In this sense, the section 101 determination bears some of the hallmarks of a jurisdictional inquiry.").

72. *Id.*

73. *Id.* at 719.

74. See *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (U.S. 2011).



mentioned—much less applied—any presumption of *eligibility*.<sup>75</sup> Moreover, the rationale that underlies the presumption of validity does not apply to the Section 101 issue “[b]ecause the P[atent and] T[rademark] O[ffice] has for many years applied an insufficiently rigorous subject matter eligibility standard . . . .”<sup>76</sup>

If Section 101 continues to prove efficient and effective at weeding out bad patents early in litigation, it is only a (relatively short) matter of time before this question will be posed to the Federal Circuit head-on, then (possibly) to the Federal Circuit en banc, and then (possibly) to the Supreme Court. Stay tuned. The wild ride of Section 101 may yet veer off in a new direction. In the meantime, with *Alice*, the Supreme Court has provided clear direction to district courts to take Section 101 seriously, apply it early, and check the *bona fides* of the man behind the curtain.

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75. *Ulramercial*, 772 F.3d at 720-21 (emphasis added).

76. *Id.* at 720.