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The Continuing Evolution of Patentable Subject Matter

A review of Amdocs (Israel) Limited v. Openet Telecom, Inc.

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Not the most surprising thing to happen this November...

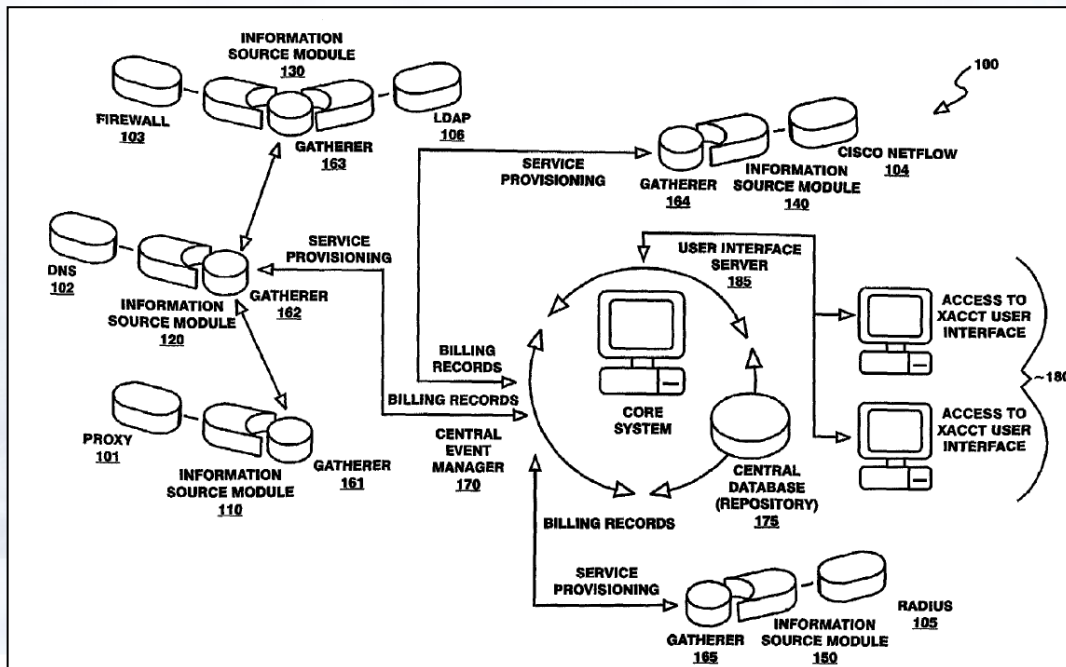
- Federal Circuit reversed and remanded a judgment on the pleadings in the E.D.V.A. that all asserted claims of four patents were ineligible under § 101.
 - Outcome based on the application of the “abstract idea” test.
- Interesting numbers to note:
 - 2nd time this case was before the Federal Circuit.
 - 26 pages of dissent.
 - 390 days between the oral argument date (10/8/2015) and Order (11/1/2016).
 - 1 day between Order and USPTO memo citing case.

Background – 4 Amdocs Patents

- U.S. Pat. Nos 7,631,065; 7,412,510; 6,947,984; 6,836,797
 - All four have same parent, U.S. Pat. No. 6,418,467
 - Same specification for all 4 patents
- Invention relates to:
 - System that allows network service providers to account for and bill for IP network communications.
 - System includes network devices; information source modules (“ISMs”); gatherers; a central event manager (“CEM”); a central database; a user interface server; and terminals or clients.

Background – 4 Amdocs Patents

- Disclosed benefit in specification:
 - System components arrayed in distributed architecture that minimizes impact on network and system resources.



'065 Patent,
Figure 1

Background – 4 Amdocs Patents

'065 Patent, Claim 1:

1. A computer program product embodied on a computer readable storage medium for processing network accounting information comprising:

computer code for receiving from a first source a first network accounting record;

computer code for correlating the first network accounting record with accounting information available from a second source; and

computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.

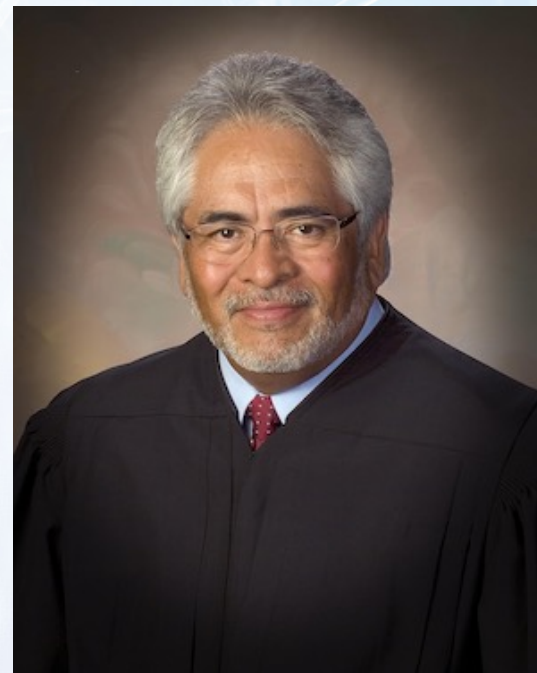
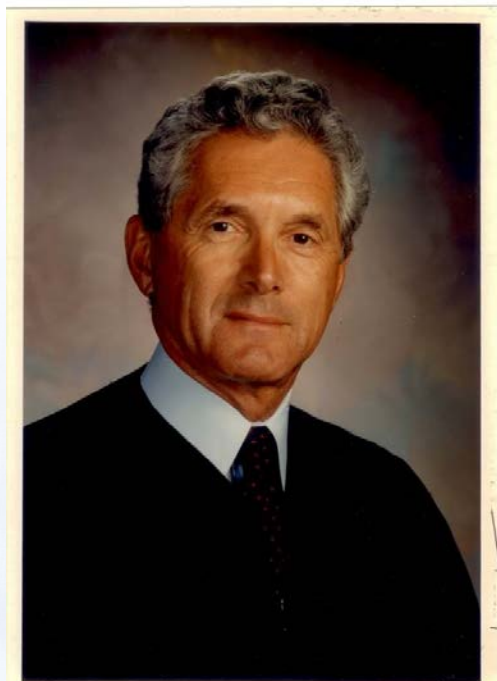
Background – Underlying Litigation

- Amdocs sued Openet in E.D.V.A for patent infringement in 2010. Openet counterclaimed invalidity, unenforceability, and non-infringement.
 - Motions filed re: claim construction and summary judgment.
 - D.Ct. granted Openet’s motion for SJ of non-infringement; granted Amdoc’s motion for SJ of no inequitable conduct; and made several claim construction determinations.
- Federal Circuit affirmed 2 constructions and vacated/modified another; reversed grant of SJ for 3 patents and vacated grant of SJ for 4th patent.

Background – Underlying Litigation

- In the meantime...*Alice* was decided by the Supreme Court.
- Following remand, Openet moved for judgment on the pleadings that all asserted claims were ineligible subject matter under § 101 based on *Alice*.
- Amdocs argued Openet's motion was procedurally barred and contrary to the law of the case.
- D.Ct. allowed Openet's motion for several reasons.
- D.Ct. granted Openet's motion and invalidated the asserted claims of all 4 patents as ineligible under § 101.
- Amdocs appealed again.

Federal Circuit Panel – Newman, Plager, Reyna



Federal Circuit Standard of Review

- Fed. Cir. used the Fourth Circuit's standard of review for reviewing a grant of judgment on the pleadings - without deference.
 - Assume all facts alleged in complaint are true, and
 - Draw all reasonable factual inferences in favor of the nonmovant.
- Reviewed determination of patent eligibility under § 101 as a question of law.

Federal Circuit: Steps in Majority's Analysis

1. The Doctrine – 35 U.S.C. § 101; *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012).
2. The Cases
3. Examination of Eligible and Ineligible Claims of a Similar Nature from Past Cases
4. Examination of the Claims in the Patents at Issue

The majority “accepted the district court’s view of the disqualifying abstract ideas, and in each instance [] then explained why, in [their] view, the claims seen in their entirety are not disqualified.”

1. The Doctrine Under § 101

- Exceptions to patent-eligible subject matter: “[l]aws of nature, natural phenomena, and abstract ideas.” *Alice*, 134 S.Ct. at 2354.
- *Alice/Mayo* Two-Step Framework:
 1. Determine whether “the claims at issue are directed to one of those patent-ineligible concepts.”
 2. If so, consider 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.”

2. The Cases, Still No Clear Definition or Test

- Most cases generally follow the step one/step two Supreme Court format.
- Recent Cases: considerable overlap between step one and step two; sometimes analysis stops at step one.
 - *Enfish, LLC, v. Microsoft Corp.*
 - *Elec. Power Grp., LLC v. Alstom S.A.*
 - *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*
- However, **none** provided “a single test or definition”; “no such single, succinct, usable definition or test”

2. The Cases, Still No Clear Definition or Test

The Order states on pages 9-10:

Instead of a definition, then, the decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen — what prior cases were about, and which way they were decided. That is the classic common law methodology for creating law when a single governing definitional context is not available. This more flexible approach is also the approach employed by the Supreme Court. We shall follow that approach here. (citations omitted.)

2. The Cases, Still No Clear Definition or Test

Justice Potter Stewart's concurrence in *Jacobellis v. Ohio*, seems applicable with slight modification:

I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description [*of an abstract idea or sufficient inventive concept*]; and perhaps I could never succeed in intelligibly doing so. ***But I know it when I see it, and the [patent claims] involved in this case is not that.***

2. The Cases: Response to Dissent

- Majority directly addressed Dissent's critiques:
 - Cited S.Ct. law where common law approach was used, including *Alice*
 - Draws a comparison between the dissent's focus on the difference between 'means' and 'ends' and the evolution of the "means-plus-function" practice from the Supreme Court (*Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1 (1946)) to Congress (Patent Act of 1952).

2. The Cases: Response to Dissent

- Majority directly addressed Dissent's critiques:
 - “[D]issent would save the patent’s eligibility under § 101 only if the claim at issue itself explicitly states the necessary ‘means.’”
 - In Dissent’s step two, “must find ‘a particular means for accomplishing an underlying goal’ through careful ‘limitation-by-limitation analysis’ of the claim.”
 - But, that is not the law.
 - Also, in a footnote, the Majority points out Dissent’s mischaracterization of *O’Reilly v. Morse*, 56 U.S. 62, 112–20 (1854) (law of nature not abstract idea).

3. Examination of Claims From Past Cases

- *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1350 (Fed. Cir. 2014).
 - Rep. claims described a process of organizing information through mathematical correlations with merely generic gathering and processing activities.
 - No 2-step analysis, found claim recited “ineligible abstract process of gathering and combining data that does not require input from a physical device” and “the two data sets and the resulting device profile are ineligible subject matter,” process employed mathematical algorithms to manipulate existing information to make additional information.
 - **INELIGIBLE**

3. Examination of Claims From Past Cases

- *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1345 (Fed. Cir. 2014).
 1. Claims described as abstract idea of “1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory.” Data collection, recognition, and storage were “undisputedly well-known.”
 2. No limitations transformed claim into patent-eligible application of an abstract idea. Role of computer in computer-implemented invention meaningful if it involved more than “well-understood, routine, [and] conventional activities previously known to the industry.”
- **INELIGIBLE**

3. Examination of Claims From Past Cases

- *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 610 (Fed. Cir. 2016).
 1. Claims directed to the abstract idea of “classifying and storing digital images in an organized manner” and not to specific improvement in computer functionality, “use of conventional or generic technology in a nascent, but well-known environment.”
 2. No limitations that transformed abstract idea; claims recited components and functions were well-understood, routine, conventional activities previously known in the industry.

– **INELIGIBLE**

3. Examination of Claims From Past Cases

- *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1255 (Fed. Cir. 2014).
 - Claims focused on challenge particular to the Internet, not a step/function by a computerized mathematical algorithm.
 1. Directed to abstract idea.
 2. Claim limitations taken together as an ordered combination, recited an invention that was not merely “the routine or conventional use of the Internet.”
 - **ELIGIBLE**

3. Examination of Claims From Past Cases

- *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1349 (Fed. Cir. 2016).
 - claimed and described “installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user.”
 1. Directed to abstract idea.
 2. Limitations, taken individually, recited generic computer, network, and Internet components (not inventive alone), BUT the ordered combination provided requisite inventive concept.
 - “software-based invention[] that improve[s] the performance of the computer system itself.”
 - **ELIGIBLE**

4. Examination of Patents at Issue

- '065 Patent:
 1. Directed to abstract idea of “correlating two network accounting records to enhance the first record.”
 - Recognized, as D.Ct. did, that “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’”
 2. Contains sufficient ‘inventive concept’
 - Cited spec. to explain distributed enhancement was a critical advancement over prior art; unconventional solution (enhancing data in a distributed fashion) to technological problem (massive record flows) depended on generic parts working together in a distributed manner.
- Claims much closer to those in *BASCOM* and *DDR Holdings* than those in *Digitech*, *Content Extraction*, and *In re TLI Commc’ns*.

4. Examination of Patents at Issue

- '510 Patent:
 1. Directed to abstract idea of “using a database to compile and report on network usage information.”
 2. Ordered combination of limitations yields suff. ‘inventive concept’
 - Cited spec. to explain the distributed architecture allows the system to efficiently and accurately collect network usage information in a manner designed for efficiency to minimize impact on network and system resources.
 - Collection, filtering, aggregating, and completing (including enhancing) steps all depend upon the system’s unconventional distributed architecture.
 - Claim recites a technological solution to a technological problem specific to computer networks—an unconventional solution that was an improvement over the prior art.
- Claims much closer to those in *BASCOM* and *DDR Holdings* than those in *Digitech*, *Content Extraction*, and *In re TLI Commc’ns*.

4. Examination of Patents at Issue

- '984 Patent:
 1. Directed to abstract idea of “reporting on the collection of network usage information from a plurality of network devices.”
 2. Ordered combination of limitations yields suff. ‘inventive concept’
 - Eligible for same reasons as ‘510 patent claims.
 - Collection, filtering, and aggregation steps all depend upon the system’s unconventional distributed architecture and are described in specification.
- Claims much closer to those in *BASCOM* and *DDR Holdings* than those in *Digitech*, *Content Extraction*, and *In re TLI Commc’ns*.

4. Examination of Patents at Issue

- '797 Patent:
 1. Directed to abstract idea of “generat[ing] a single record reflecting multiple services.”
 2. Ordered combination of limitations yields suff. ‘inventive concept’
 - Eligible for reasons similar to those for claims in '065, '510, and '984 patents.
 - Collection, filtering, aggregation steps and enhancement procedures all depend upon the system’s unconventional distributed architecture and are described in specification.
- Claims much closer to those in *BASCOM* and *DDR Holdings* than those in *Digitech*, *Content Extraction*, and *In re TLI Commc’ns*.

Summary of Majority's Analysis of Claims

- All challenged claims are patent-eligible, BUT, states:
 - To be clear: ruling these claims to be patent-eligible does not mean that they are valid; they have yet to be tested under the statutory conditions for patentability, e.g., § § 102 (novelty) and 103 (non-obvious subject matter), and the requirements of § 112 (written description and enablement), issues raised in Openet's defensive pleadings.
- Reversed and remanded.

Dissent by Judge Reyna

- Problems with Majority's approach:
 - Mechanical comparison of asserted claims to claims at issue in some, but not all, of the cases on § 101 since *Alice*.
 - Does not state what abstract idea is, which is contrary to *Alice*.
 - Relies on specification to import innovative limitations into claims.
 - “Distribution architecture” does not exist in all claims at issue.
- Dissent writes completely, separate opinion with Background describing the patents/technology, Legal Framework summary, and Discussion regarding each patent.
- Notes post-*Alice*, Fed. Cir. only twice held that patent was eligible under § 101 based on a determination during step one that the claims were not directed to an abstract idea. *Enfish* and *McRo*. But, few cases doesn't mean step one is a high bar.

Dissent by Judge Reyna

- Contrary to Majority's emphasis/reliance on spec., Dissent states:
If I were to examine only the written description of the asserted patents, I would conclude that the network monitoring system disclosed therein is eligible for patenting. The specifications disclose a distributed system architecture comprising special-purpose components configured to cooperate with one another according to defined protocols in a user-configurable manner for the purpose of deriving useful accounting records in a more scalable and efficient manner than previously possible....

Dissent by Judge Reyna

- Contrary to Majority's emphasis/reliance on spec., Dissent states, cont.:

...The disclosed system improves upon prior art systems by creating a specific “distributed filtering and aggregation system . . . [that] eliminates capacity bottlenecks” through distributed processing. The disclosed system is patent eligible. But the inquiry is not whether the *specifications* disclose a patent-eligible system, but whether the *claims* are directed to a patent ineligible concept.

Dissent by Judge Reyna

- Points out difference between novelty and inventiveness:
 - “[C]oncept of inventiveness is distinct from that of novelty. Novelty is the question of whether the claimed invention is new. Inventiveness is the question of whether the claimed matter is invention at all, new or otherwise. The inventiveness inquiry of § 101 should therefore not be confused with the separate novelty inquiry of § 102 or the obviousness inquiry of § 103.”
 - “Claims that fail to recite how a desired goal is accomplished do not recite an inventive concept.”
 - Main issue is claim scope vs written description.

Conclusion - Sounds Familiar?

- European Patent Convention (EPC), Article 52
- Paragraph 2 excludes from patentability, discoveries, scientific theories and mathematical methods; aesthetic creations; schemes, rules and methods for performing mental acts, playing games or doing business, and **programs for computers**; presentations of information.
- Paragraph 3: "The provisions of paragraph 2 shall exclude patentability of the subject-matter or activities referred to in that provision only to the extent to which a European patent application or European patent relates to such subject-matter or activities **as such**."

Conclusion - Sounds Familiar?

- A computer program product is not excluded from patentability under Article 52(2) and (3) EPC if, when it is run on a computer, it produces ***a further technical effect*** which goes beyond the "normal" physical interactions between program (software) and computer (hardware)". T1173/97 (Computer program product/IBM) of 1.7.1998.

Nov. 2, 2016 Memo - USPTO Guidance

Decisions addressed in memorandum:

- *McRO, Inc. dba Planet Blue v. Bandai Namco Games America Inc.*;
- *BASCOM Global Internet Services v. AT&T Mobility LLC*;
- Mentions *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.* and notes memo will issue soon.

Nov. 2, 2016 Memo - USPTO Guidance

Decisions addressed in memorandum:

- *McRO, Inc. dba Planet Blue v. Bandai Namco Games America Inc.*;
 - Examiners should consider claim as a whole under Step 2A.
 - Do not overgeneralize the claim or simplify it into its “gist” or core principles, when identifying judicial exception.
 - Emphasizes value of specification, especially where problem identified in the art and solution presented in claims.
 - Provides example indications that claim is directed to improvement in computer-related technology.

Nov. 2, 2016 Memo - USPTO Guidance

Decisions addressed in memorandum:

- *BASCOM Global Internet Services v. AT&T Mobility LLC*;
 - Generic components that do not amount to significantly more when considered individually does not rule out inventive concept when combined in non-conventional and non-generic arrangement.
 - In step 2B, “examiners should consider the additional elements in **combination**, as well as individually, when determining whether there is significantly more, as this may be found in non-conventional and non-generic arrangement of known, conventional elements.”

Nov. 2, 2016 Memo - USPTO Guidance

Preemption:

- Some recent decisions discuss the absence of preemption as confirming the analysis that the claimed invention is not directed to a judicial exception (*CellzDirect*) or includes an inventive step (*BASCOM*) or absence of preemption (*McRO*).
- Use *Mayo/Alice* framework to resolve preemption questions.

Non-Precedential Opinions:

- Examiners should avoid relying on or citing non-precedential opinions due to large and ever-increasing number of precedential decisions.



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Nov. 2, 2016 Updated Subject Matter Eligibility Court Decisions (Formerly Appendix 3)

Case Name	Decision Type	Decision Date	Patent(s) or App. No(s)	Title or General Subject Matter	Judicial Conclusion
<i>Amdocs (Israel) Ltd. v. Openet Telecom, Inc.</i>	Precedential	11/1/2016	7,631,065 7,412,510 6,947,984 6,836,797	Distributed network-based filtering and aggregating platform; reporting on collection of usage information in distributed network	Eligible '065 claims 1, 4, 7, 13 & 17 '510 claims 16, 17 & 19 '984 claims 1, 2, 7, 8 & 13 '797 claims 1, 2, 7, 8 & 19
<i>Synopsys v. Mentor Graphics Corp.</i>	Precedential	10/17/2016	5,748,488 5,680,318 5,530,841	Generating a logic circuit/network from a hardware independent description	Ineligible '488: claims 1, 2, 8 & 9 '318: claims 32, 35 & 36 '841: claim 1
<i>DataTreasury Corp. v. Fidelity National Information Services</i>	Non-Precedential (Rule 36 affirmance of PTAB CBM)	10/13/2016	5,910,988 6,032,137	Remote image capture with centralized processing and storage	Ineligible
<i>In re Villena</i>	Non-Precedential (Rule 36 affirmance of PTAB)	10/13/2016	10/536,692	Property Information Development, Distribution & Display	Ineligible

Questions?

