PATENTLY-O

Federal Circuit Cases to Watch on Software Patentability – Planet Blue

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Guest Commentary by Robert Stoll

In the wake of the Supreme Court's decision in *Alice Corp v. CLS Bank (2014)*, there have been dozens of decisions in federal district courts and at the Federal Circuit that have applied *Alice* and Section 101 to a wide variety of business method and software related patents. And in the vast majority of these cases, the courts have invalidated the patents.

This trend line has led to rampant speculation about the end of software patents. But a review of the patents in those cases indicates that the claims at issue in most of the district court cases (and arguably all the Federal Circuit decisions) were directed to business methods that would have likely been held invalid under *Bilski* and other pre-*Alice* decisions. What we have seen far less is how courts will apply *Alice* to patent claims directed to software technology (as opposed to business methods).

Arguably the first of those cases is on its way through the Federal Circuit. The ***McRO (Planet Blue) v. Activision Blizzard, et al.*** (C.D. Cal. 2014) ("Planet Blue") appeal pending at the Federal Circuit may be an important indicator of how software patents will be evaluated by the courts going forward.

Unlike many of the other Section 101 cases that have largely involved simple financial/business practices or similar non-technical "inventions," the patents in *Planet Blue* are directed to what appear to be actual technological challenges. The patents utilize complex and seemingly specific computer-implemented techniques.

And yet the Planet Blue patents were found invalid under Section 101 in the district court. In deciding the case, Judge Wu did a thorough analysis of the patent claims, starting with the observation that "[f]acially, these claims do not seem directed to an abstract idea" and appear to be directed to a "specific technological process." However, interpreting *Mayo* to require him to disregard any aspect of the claims found in the prior art, he conducted a further analysis to determine what feature of the claims were novel. Wu found that the only aspect of the claims that added to the

prior art was an abstract idea: "the use of rules, rather than artists, to set the morph weights and transitions between phonemes."

Planet Blue has now appealed to the Federal Circuit, and opening merits briefs were recently filed. These and the subsequent briefs, arguments and decision in this case will be important for practitioners and patent holders for several reasons:

The Federal Circuit will evaluate a patent claim that is technology-based.

An initial read of the claims in the Planet Blue patents seem to be a far cry from basic method claims. The Planet Blue patents are used in animation; the technology helps automate the process of adapting an animated image to mouth words without having to draw or manually program the animated character's movements. Its' claims are drawn to the use of three-dimensional synchronization for certain applications in animation.

The district court initially acknowledged that the claims, in isolation, appeared tangible and specific and did not seem directed to an abstract idea: "considered standing alone, the asserted claims do not seem to cover any and all use of rules for three-dimensional synchronization." In deciding this case, the Federal Circuit will be making an important decision on how to evaluate technology and software claims in a post-*Alice* environment.

The decision should provide additional guidance on how to apply the 'significantly more' test.

In the *Alice* decision, the Court recognized that patents – even those that are directed to an abstract idea or other ineligible concept – can be made patent eligible if the patent 'transforms' the abstract idea, or does 'something' or 'significantly more' than a patent on the concept itself. This is the second step of the *Alice/Mayo* test, which the Court refers to as the search for an inventive concept. Unfortunately, both the Supreme Court and Federal Circuit have provided scant guidance on what is necessary to satisfy this "significantly more" test.

In this case, the district court found that the claims covered a well-known concept of lip synchronization and weren't sufficient to meet the 'significantly more' test. The Federal Circuit will review the claims, and assess whether the district court's analysis and conclusion were correct. The Federal Circuit's decision should provide some

insight as to how 'significantly more' test should be performed and how claims should be read moving forward.

Lower courts will be paying close attention to the Federal Circuit's ruling in this case in their 101 assessments.

Just six weeks after the *Planet Blue* decision, another Section 101 decision came out from the Central District of California, this one authored by Judge Pfaelzer, in *California Institute of Technology v. Hughes Communications, Inc.* (C.D. Cal. 2014). In that case, the court denied Hughes' motion for summary judgment on Section 101 ineligibility. Judge Pfaelzer also undertook a lengthy analysis of Section 101 case law. In applying the *Mayo/Alice* framework, the court found that the Caltech claims were directed to abstract ideas, but that the claims were patentable since they contain inventive concepts.

Interestingly, Judge Pfaelzer also made a point of discussing the *Planet Blue* decision. While respectfully acknowledging that *Planet Blue* offers valuable contributions to the Section 101 discussion, Judge Pfaelzer noted that *Planet Blue* ultimately reached the wrong conclusion since courts should not, in her view, apply the point-of-novelty approach in the Section 101 inquiry, citing the Supreme Court's *Diamond v. Diehr* decision.

This is the first step in the journey, not the destination. *Planet Blue* may turn out to be a bellwether case on software patentability, as these patents seem quite similar to so many of the software patents held by companies across the IT industry and beyond. But the outcome is likely to be highly panel dependent, and it would not be surprising to see a request for *en banc* consideration at some point down the line. The case is sure to be closely watched, and it will be fascinating to see whether the Federal Circuit follows the lead of *Ultramercial* (and upholds the lower court decision on patent ineligibility), or whether the reasoning of *DDR Holdings* will prevail (and the Section 101 decision reversed).

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