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Recording Date - April 5, 2018

Recording Availability – May 22, 2018

Meeting Location	Date	Time	Topic
King County Bar Association 1200 Fifth Avenue - Suite 700 Seattle, WA	Thursday, April 5, 2018	12:00 PM to 1:15 PM	Is Software Patentable? Recent Decisions Give a Resounding “Maybe”

AGENDA

12:00 PM Introduction

12:10 PM Presentation: ‘Is Software Patentable? Recent Decisions Give a Resounding “Maybe”’, by Bryan McWhorter, Knobbe Martens

1:15 PM Adjourn

SPEAKER BIOGRAPHY

Bryan McWhorter, Knobbe Martens - Bryan McWhorter is a partner at the law firm of Knobbe Martens, where he focuses on patent procurement and dispute resolution, particularly for companies in the software, telecommunications, and food and beverage areas.

Bryan’s practice includes all aspects of patent development and acquisition for both utility and design patents, including identifying patentable concepts, drafting patent applications, and negotiating with patent offices to gain allowance of applications. His practice also focuses on helping clients to analyze, manage, and mitigate risks stemming from intellectual property, by conducting patent clearances to identify potential risks, infringement analyses to quantify risks, and dispute resolutions and license negotiations to mitigate risks. A significant portion of Bryan’s practice involves appeals and other special proceedings before the U.S. Patent and Trademark Office.

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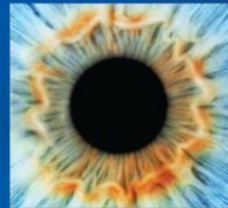
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Is Software Patentable? Bryan McWhorter

Recent Decisions Give a Resounding “Maybe” April 5, 2018



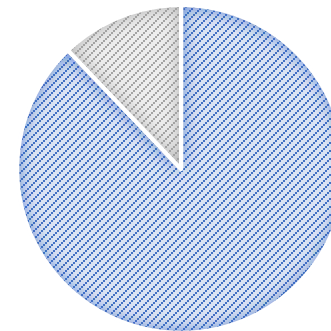
Is Software Patentable?

- Almost 20 years ago, the Federal Circuit decided *State Street Bank*, opening a wide door for software-implemented inventions
- Later cases clarified, but did not greatly change, the practical standards for eligibility
- However, in 2014, the Supreme Court issued *Alice v. CLS Bank*, setting forth a new two-part test for determining eligibility of software-implemented inventions
 - Is the claim directed to an abstract idea?
 - Does the claim recite significantly more than an abstract idea?

The Post-*Alice* Landscape Has Been Bleak (For Applicants and Patent Holders)

- From the *Alice* decision through 2017, 67 appeals related to eligibility of software-implemented inventions
 - All but 9 (around 87%) held every claim ineligible
- Paired with the AIA's post-grant proceedings, the wide-spread believe was that the value of software patents significantly decreased
- NPE activity also decreased, as did the average settlement value for infringement cases (per RPX Corp.)

Appeals for Software-Implemented Inventions (*Alice* through 2017)



- All Claims Ineligible
- Not All Claims Ineligible

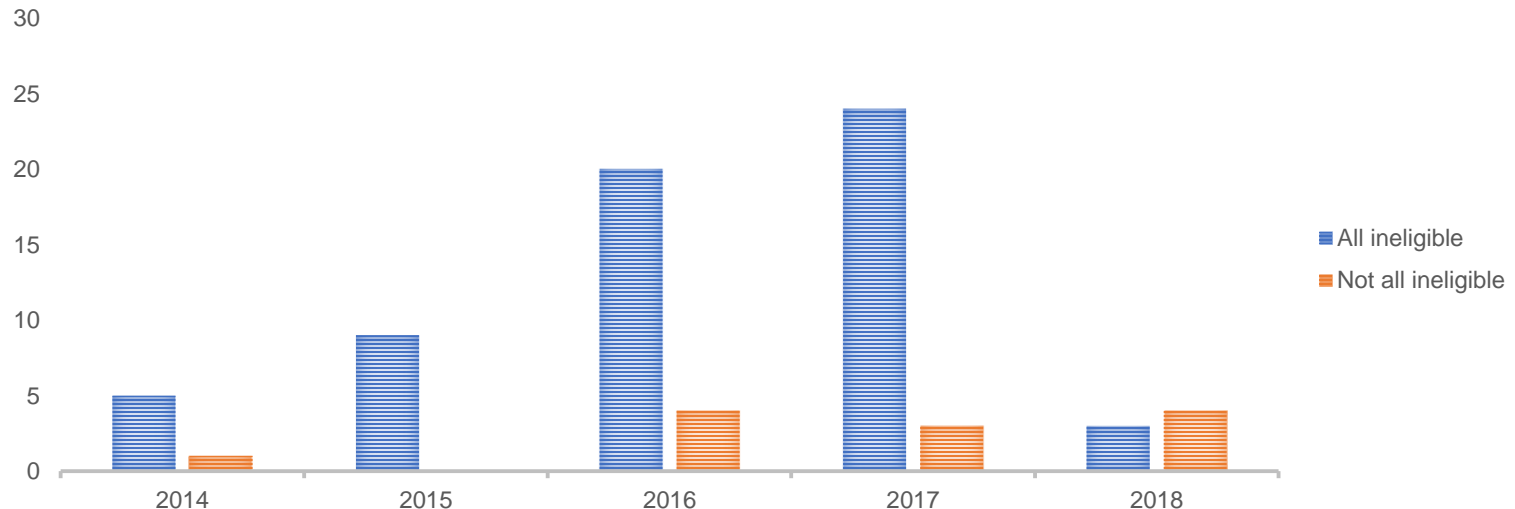
The Practical Outlook for Software Patents

- The two-step eligibility analysis of *Alice* has effectively collapsed
 - Every case where software-implemented claims have been held patent eligible has relied on a finding that claimed subject matter improves operation of a computer in some way
 - Only one (*Bascom*) even reached the second step of the two-step test
- Decisions for eligibility are narrowly tailored, leaving a few narrow examples of eligibility
- Meanwhile, decisions of ineligibility are often very broadly stated
 - For example, *Electric Power Group* found claims ineligible as focused on “collecting information, analyzing it, and displaying [] results”
 - What software-implemented process doesn’t do that?

2018 Has Started Off Well for Software Patents

- So far (as of mid-March), the Federal Circuit has issued seven decisions related to eligibility of software-implemented inventions
 - A majority (four) found at least one claim “not ineligible”; two explicitly found claims eligible

Fed. Cir. Decisions by Year



What Do These Cases Change?

- Two recent cases, *Finjan* and *Core Wireless*, provide additional examples of what legally constitutes an improvement to a computer and thus establishes eligibility
 - *Core Wireless* may set a new “low bar” for what kind of “improvement” makes a claim eligible
- Two other recent cases, *Berkheimer* and *Aatrix*, might raise the bar for proving subject matter ineligibility
 - They also create an unresolved opinion split between Federal Circuit judges

Finjan, Inc. v. Blue Coat Systems, Inc. (Jan. 2018)

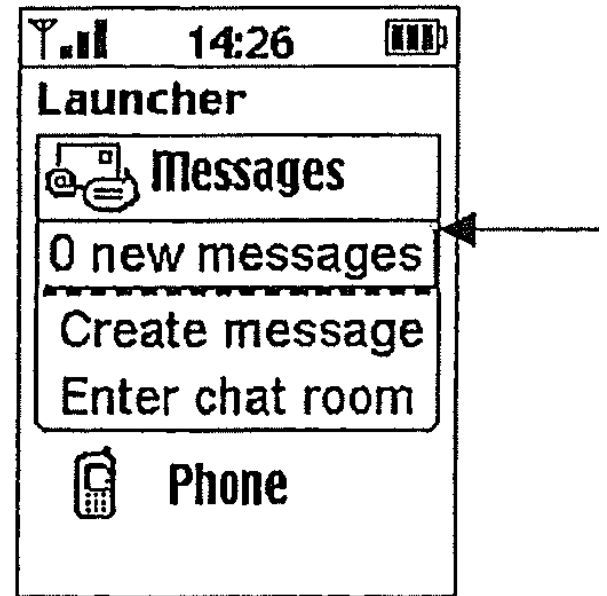
- Claims related to “providing computer security by scanning a downloadable [file] and attaching the results of that scan to the downloadable [file]”
- On it’s face, unsurprising that the Fed. Cir. found the claims directed to “computer-related technology”
 - But was it an improvement?
 - Claims were very short, effectively claimed “generating... [a] security profile that identifies suspicious code in [a file]” and “linking ... the security profile to the [file]”
 - Fed. Cir. had previously held that “virus screening is well-known and constitutes an abstract idea” (*Intellectual Ventures I LLC v. Symantec Corp.*)

Finjan, Inc. v. Blue Coat Systems, Inc. (Cont.)

- Federal Circuit held claims eligible
- Finjan relied on a narrow claim construction of the term “security profile” to implicate a (purportedly) new “behavior-based” approach to virus scanning
- Finjan argued that this approach was superior to prior approaches
 - The Federal Circuit agreed, relying heavily on the narrow claim construction
 - Interestingly, the specification of the patent-at-issue doesn’t clearly lay out Finjan’s narrative
- This case reinforces the importance of a clear narrative in eligibility cases, and the willingness of courts to accept an applicant or patent holder’s narrative in eligibility determinations

Core Wireless Licensing v. LG Electronics (Jan. 2018)

- Claims related to a GUI for mobile devices, which displays “summaries” of the state of unlaunched applications
- First precedential decision holding a GUI patent eligible
 - A prior case, *Trading Technologies*, also held a GUI eligible; that case was non-precedential and is usually distinguished on factual differences



Finjan, Fig. 2

Core Wireless Licensing v. LG Electronics (Cont.)

- Unlike most prior decisions, the “improvement” in *Core Wireless* wasn’t a reduction in resource usage, or the creation of totally new functionality
 - It improved prior GUIs that “seem[ed] slow” and “complex” to users by speeding user’s navigation through menus
 - The claims “disclose a specific manner of displaying a limited set of information to the user” and were thus an improvement
- As in past cases, the Federal Circuit relied heavily on a narrative in the specification to find an “improvement”
- This case might be the current “low bar” for what types of improvement confer patent eligibility

***Berkheimer v. HP Inc.* (February 2018)**

- This decision might raise the bar for showing ineligibility of claims
- Claims related to archiving files and tagging related files, purportedly to reduce redundant storage and allow “one-to-many editing”
- Federal Circuit held that claims were directed to “parsing, comparing, storing, and editing data”
 - From that summary, ineligibility seemed inevitable
 - *But* Berkheimer argued that the specific mechanism for storing and editing data represented an improvement to a computer
- District Court dismissed the specific elements for storing and editing data as “well-understood, routine and conventional”

Berkheimer v. HP Inc. (Cont.)

- Federal Circuit held that the “question of whether a claim element or combination of elements is well-understood, routine and conventional ... is a question of fact.”
- This approach effectively turns eligibility analysis into a hybrid question of fact and law, similar to obviousness
- Compare this approach to prior decisions, such as in *Secured Mail Solutions LLC v. Universal Wilde, Inc.*
 - In that case, patent holder argued that dismissal under 12(b)(6) was inappropriate “because the district court’s conclusions address questions of fact”
 - Federal Circuit held that questions of eligibility can be decided “based on intrinsic evidence ... without the need for ‘extraneous fact finding’”

Aatrix Software v. Green Shades Software (Feb. 2018)

- Reaffirmed the holding of *Berkheimer* that material issues of fact preclude dismissal under 12(b)(6)
- Opinion by Judge Moore, joined by Judge Taranto (both were on the panel that decided *Berkheimer*)
- Judge Reyna was also on the panel, and dissented
 - Reyna had authored *Secured Mail Solutions*, where eligibility was said to be a question of law
- The end result looks to be a split of opinion at the Federal Circuit

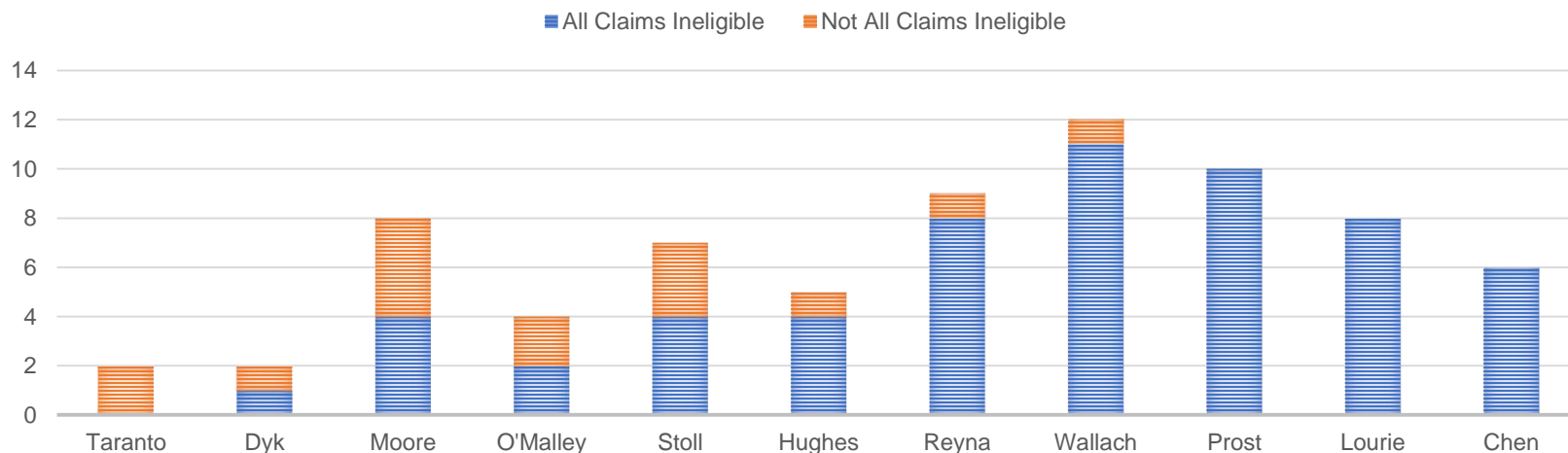
Where do we go from here?

- Recent decisions provide new procedural and legal tools for arguing eligibility of software-implemented inventions, either by expanding what constitute an “improvement” or raising the bar for providing ineligibility
- They also highlight substantial differences in how favorable courts (or individual judges) are to eligibility of software patents
- Courts can pick and choose whether claims are directed to “collecting information, analyzing it, and displaying [] results” and thus abstract, or to an “improvement in computer-related technology”
 - While not adopted by the Federal Circuit, Examiners and PTAB are fond of finding claims directed to an “improved abstraction” and thus ineligible
- Examiners have substantial leeway in applying the case law

Federal Circuit Judges Have Different Views on Software Patentability

- The *Berkheimer* and *Aatrix* decisions show an explicit disagreement between Judges as to the role of evidence in eligibility decisions
- The frequency with which Judges find claims eligible or ineligible also shows significant variance

Cases With Opinion - Past Year



Practical Tips for Showing Eligibility

- Don't get tripped up in the two-part *Alice* test; most questions come down to whether you can show an “improvement”
- Tell a story with your specification (or, if you must, court filings); use the “problem/solution” approach of the EU
 - Don't be afraid to (accurately) characterize your claims
 - A court or examiner certainly will
- Until more law develops, consider adopting the EU's more established practice of looking for a “technical solution” to a “technical problem”
 - This approach has been looked on favorably in past cases
- Even with best practices, experiences will vary widely

Practical Tips for Showing Eligibility (Cont.)

- Substantial open questions exist
 - Berkheimer has requested *en banc* review of their case
 - Other Supreme Court petitions outstanding
 - It's still unclear how closely eligibility analysis needs to hold to the language of the claims
- Nearly four years later, substantial developments are happening in the law around subject matter eligibility
 - More are likely to come during pendency of current applications
 - Be ready!

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