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Computer Litigation

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Improvements from Using a Computer May Not Transform Abstract Idea into a Patent-Eligible Concept

In deciding patent eligibility of computer-implemented claims, courts consider whether the claims merely implement a generic computer or whether they improve the functioning of the computer itself. In *Customedia Technologies, LLC v. Dish Network Corp.*, No. 2018-2239 (Fed. Cir. Mar. 6, 2020), the Federal Circuit recently considered this question for patents directed to delivering advertising data to a set-top box. The patent owner argued that its claims improved the system's ability to store advertising data, transfer data at improved speeds and efficiencies, and prevent system inoperability due to insufficient storage. The court, however, decided the claims were patent-ineligible because they merely improve the abstract concept of delivering advertising using a computer only as a tool—they did not improve the functionality of the computer itself.

Dish Network Corporation petitioned for covered business method (CBM) review of two related patents, U.S. Patent Nos. 8,719,090 and 9,053,494, owned by Customedia Technologies, LLC. The claims were directed to a data management system, including a remote server and local receiver unit (*e.g.*,

a set-top box). Content providers transmit advertisements to the local unit via the server. The local unit includes storage, which can be rented or purchased by advertisers to store the advertisements. By dedicating storage for advertising data, Customedia believed the system could transfer data at improved speeds and efficiencies and prevent inoperability due to insufficient storage. The Patent Trial and Appeal Board (the “Board”), however, decided that the claims were directed to patent-ineligible subject matter under 35 U.S.C. § 101.

On appeal, the Federal Circuit analyzed patent eligibility using the Supreme Court's two-step framework. A court first determines whether the claims are “directed to” a patent-ineligible concept, such as an abstract idea. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217 (2014). If so, the court then considers “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.” *Id.*

Addressing step one, the Federal Circuit recognized that computer-related inventions are not directed to an abstract idea if they improve the functionality of the computer or network platform itself. The same cannot be said, however, for inventions that improve an abstract concept by using a computer merely as a tool. Any inherent improvement from applying an abstract idea on a computer in its ordinary capacity, such as improved speed or efficiency, is insufficient to render the claims patent-eligible.

In this case, the Federal Circuit found that the claims were directed to an abstract idea because the purported improvements did not improve the functioning of the computer or network platform itself. The court distinguished this case, for example, from *Ancora Technologies Inc. v. HTC America, Inc.*, in which the patent-eligible claims were directed to storing a verification structure in computer memory. There, the claims improved computer security. Because the claims addressed the “vulnerability of license-authorization software to hacking,” they were “directed to a solution to a computer-functionality problem.”

Turning to step two, the Federal Circuit considered the claim elements individually and as an ordered combination and decided that they did not identify an inventive concept in the application of the ineligible matter to which the claims were directed. Aside from the abstract idea of delivering targeted advertising, the additional elements merely recited generic computer components, including a programmable receiver unit, a storage device, a remote server, and a processor. The specification acknowledged that the storage device could be any known in the art and that the receiver unit may be any capable of receiving broadcast information.

Customedia argued that the claims recited an inventive concept based on the innovative “use of a programmable receiver to dedicate a section of storage for only specifically identified advertising data.” The Federal Circuit, however, found that “invocation of ‘already-available’ computers that are not themselves plausibly asserted to be an advance . . . amounts to a recitation of what is well-understood, routine, and conventional.” Accordingly, the court concluded that the Board did not err in holding the claims patent-ineligible under § 101.

Practice Tip

Patent owners should be careful not to conflate an invention's ability to improve the functionality of a computer or network platform itself with a generic computer's inherent ability to improve an abstract idea or fundamental practice. Although the distinction may be subtle in some cases, the Federal Circuit has repeatedly

decided the former is directed to patent-eligible subject matter under the Supreme Court's two-step framework and the latter is directed to the patent-ineligible abstract idea or fundamental practice.

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