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# IP Newsflash



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## DECISIONS ON PATENTABLE SUBJECT MATTER UNDER *ALICE CORP.*

### Federal Circuit Invalidates Patent Using the Supreme Court's *Alice Corp.* § 101 Analysis

On November 14, 2014, the Federal Circuit held a patent invalid under the Supreme Court's *Alice Corp. Pty. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) decision because the patent did not claim patent-eligible subject matter. The patent at issue covered a method of distributing media over the internet to consumers for free in exchange for viewing an advertisement. The court applied the two-step framework from *Alice*, first determining the claims were directed toward a patent-ineligible concept—in this case, an abstract idea—and then determining that the additional elements of the claims were not so inventive as to make the patent "significantly more than a patent upon the [ineligible concept] itself."

In concluding that the claims were directed toward an abstract idea, the court evaluated the steps of the claim—which included offering media to consumers in exchange for watching an advertisement, displaying the ad, allowing the consumer to access the media, updating an activity log, and receiving a payment from the ad's sponsor—and determined that they did not have a particular concrete or tangible form. Instead, these steps described only an idea: showing ads before delivering free media. The court acknowledged that some steps, such as updating the activity log, added a degree of particularity to the claims, but nevertheless found it sufficient that the abstract idea was "embodied by the majority of the limitations."

The second step of the analysis asked whether the claims do "significantly more" than describe the abstract method. The court held that the patent failed to do so because the additional features of the claims were no more than well-understood, routine, and conventional activities, such as updating an activity log, requiring the consumer to request the ad, and restricting public access to the media. The Federal Circuit also drew on its earlier decision in *CyberSource Corp. v. Retail Decisions, Inc.*, to hold that using the Internet to implement the claims was not enough to pull them out of the realm of the abstract. The court also reasoned that, while not conclusive, the machine-or-transformation test of *Bilski v. Kappos* could be useful in this step of the *Alice* analysis. In this case, the claims did not do significantly more than describe an abstract method the claims were not tied to a particular machine or apparatus and did not transform anything.

Judge Mayer's concurring opinion is notable for multiple reasons. A sizable portion of the opinion is spent emphasizing the benefits of a § 101 challenge under *Alice*, including deterring "vexatious" plaintiffs, while saving time and money by disposing of patents at an early stage. Judge Mayer also diverges from the majority opinion in two important ways. First, the opinion concludes that there is no presumption that patents are drawn to patent-eligible subject matter in performing a § 101 analysis. Second, Judge Mayer recasts the Supreme Court's *Alice* analysis as whether the patent claims are directed toward an impermissibly abstract "entrepreneurial objective," or whether they describe a "technological objective" with specific instructions for achieving it.

*Ultramercial, Inc. v. Hulu, LLC*, 2010-1544 (Fed. Cir. Nov. 14, 2014) [Lourie (opinion), Mayer (concurring), O'Malley].

- Author: [Andy Rosbrook](#)

## CONTACT INFORMATION

If you have any questions regarding this issue of *IP Newsflash*, please contact—

[Todd Eric Landis](#)  
[tlandis@akingump.com](mailto:tlandis@akingump.com)  
214.969.2787

[Michael Simons](#)  
[msimons@akingump.com](mailto:msimons@akingump.com)  
512.499.6253

[www.akingump.com](http://www.akingump.com)



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