

# Software Patents: *Alice* Test

## Would Your Software Patent Hold Up to a Novelty-Type Analysis Under the *Alice* Test?

### Federal Circuit Clarifies Potential Path for Arguing Subject Matter Eligibility of Software Patents Based on a Novelty-type Analysis

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In a rare reversal of a lower court's invalidation of a software patent as a patent-ineligible abstract idea, the Court of Appeals for the Federal Circuit in *Bascom Global Internet Services Inc. v. AT&T Mobility LLC et al.*, Case No. 2015-1763 (Fed.Cir. June 27, 2016) issued a precedential opinion upholding subject matter eligibility of an internet-based software patent. The Federal Circuit's opinion leaned heavily on a novelty-type analysis to find eligibility and appears to provide patent owners a clearer line of potential argument in favor of software patentability under 35 U.S.C. Section 101.

The technology underpinning the patent-in-suit in *Bascom* is relatively easy to grasp. The patent is directed to a software filtering tool for preventing a user from accessing certain web sites, for example, allowing businesses or families to block web sites deemed unsuitable.

Tools that existed in the prior art commonly filtered access to web sites based on a list of banned or available sites ("exclusive" or "inclusive" filtering) or the appearance of certain key words or phrases in the site ("word screening"). Prior art systems were either local and customizable -- but difficult to update -- or remote and non-customizable, suffering from a "one size fits all" approach to individual user requirements. In contrast, the patent-in-suit provides a filter on a remote server that includes a customizable set of filtering criteria for each end-user, thus making the patented system "more dynamic and efficient" than prior art systems.

In overturning the lower court's judgment, the Federal Circuit acknowledged that the claimed system recited generic computer and Internet components, none of which are by themselves inventive, but warned against focusing on individual claim elements to the exclusion of the ordered combination. Critical of analyzing claim elements in isolation, the Court said that "the inventive concept inquiry requires more than recognizing that each claim element, by itself, was known in the art. As is the case here, an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces."

When considered as an ordered combination, the Court held that the claimed system embodied the "inventive concept" of "install[ing] a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user."

In reaching its decision, the Court analyzed the claims under the so-called two-step *Alice* test, which is widely used but rarely results in a finding of patent eligibility.

Although the Court found that the claims were directed to the abstract idea of filtering content on the Internet under the first-step of the test, the panel noted that, unlike the Court's decision earlier this year in *Enfish*, which recited claims "unambiguously directed to an improvement in computer capabilities," the claims here presented "a close call about how to characterize what the claims are directed to." The Court stated that in cases in which the abstract idea was difficult to discern, the analysis should focus on step two of the *Alice* test in an effort to shed light on the existence of concrete improvements that serve a narrowing effect on claim scope.

Undertaking the step two analysis in *Bascom*, the Court appeared to focus heavily on a novelty-type analysis to reach its ruling, carefully analyzing the claims in light of the prior art systems known on the limited record before the Court.

As is often the case at the pleading stages, the evidentiary record was limited, so the Court focused primarily on the disclosure of the patent itself. According to *Bascom's* patent, one type of prior art filtering system was run locally on individual computers. Although this tool worked for its intended purpose, such tools suffered from various drawbacks, including unauthorized modification by computer literate end-users such as crafty “teenager[s] or corporate employee[s],” the tools were time-consuming to load and update on individual computers, and were dependent on individual hardware and operating systems.

To overcome some of these deficiencies, another prior art system according to the patent relocated the filtering software to run a local server. However, this “one size fits all” solution was also deficient because “a single set of filtering criteria is often not appropriate for all of the end-users.” Further, the system also required time-consuming local service and was tied to a single local area network or server platform.

In a further prior art solution, the patent described that Internet Service Providers, such as “America Online,” installed a filter on remote servers to solve some of the problems associated with local update and control, but those solutions similarly continued to use a single set of filtering criteria for all requests by all subscribers.

Solving the problems in the art, the claimed filtering tool received a request to access a website, associated the request with a particular user, and then applied the filtering criteria associated with that particular user to determine whether the requester is allowed to access the website. The patent-in-suit describes the claimed filtering system as a novel advance over prior art computer content filters, in that no one had previously provided customized filters at a remote server.

Comparing this decision to its prior *DDR Holdings* decision, the Federal Circuit noted that “the invention is not claiming the idea of filtering content simply applied to the Internet” but rather “claim[s] a technology-based solution . . . to filter content on the Internet that overcomes existing problems with other Internet filtering systems.”

The panel opinion, authored by Judge Raymond Chen and joined by Judge Kathleen O’Malley, appeared to place emphasis on the differences between the claimed subject matter and the prior art, in which the patented solution solved a practical problem while employing generic computing elements. “Thus, construed in favor of [*Bascom*], the claims are ‘more than a drafting effort designed to monopolize the [abstract idea],’ the court wrote. “Instead, the claims may be read to ‘improve an existing technological process. . . .*Bascom* has alleged that an inventive concept can be found in the ordered combination of claim limitations that transform the abstract idea of filtering content into a particular, practical application of that abstract idea,” the Court wrote. “We find nothing on this record that refutes those allegations as a matter of law or justifies dismissal under Rule 12(b)(6).”

The panel further found that the claims do not preempt all uses of “the abstract idea of filtering content on the Internet.” Specifically, the panel found that the claims “carve out a specific location for the filtering system (a remote ISP server) and require the filtering system to give users the ability to customize filtering for their individual network accounts.”

In a concurring opinion, Circuit Judge Pauline Newman criticized exclusive reliance on the two part *Alice* test, and expounded a more “flexible approach” to the determination of patentability/validity. Critical of the imprecision of determining whether a claim is abstract, Judge Newman wrote that she has “come upon no guide to when a claim crosses the boundary between unacceptable abstractness and acceptable specificity. . . . This conundrum is resolved on application of the criteria of patentability.” Judge Newman argues that the Federal Circuit should instead “clarify the district court’s authority to resolve the issues of patent validity directly” under sections 102, 103, or 112, because “[i]nitial determination of eligibility often does not resolve patentability, whereas initial determination of patentability issues always resolves or moots eligibility.” To the extent the Court is gravitating toward a novelty-like approach to assessing step 2 of the *Alice* test, it appears that Judge Newman’s approach may take root at least impliedly as part of the Section 101 analysis.

At a minimum, *Bascom* appears to provide a potential path – based on novelty in the form of solving a practical problem in the art – that patent owners may use to argue in favor of eligibility.

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