The Federal Circuit Pushes the Pause Button on Section 101 Challenges

Last week, the Federal Circuit Court of Appeals imposed important limitations on the post-*Alice* doctrine of software patent invalidity—patent owners everywhere could be heard sighing in relief. In *Enfish, LLC v. Microsoft Corp.* (No. 2015-1244, available at http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/15-1244.Opinion.5-10-2016.1.PDF), the Federal Circuit reversed a Central District of California judge's finding that software claims directed to an "innovative logical model for a computer database" were invalid under 35 U.S.C. § 101 as directed to an abstract idea. Under *Alice Corp. Pty Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014), the familiar two-step process for determining § 101 validity is: first determining whether the claim at issue is directed to a patent-ineligible concept, i.e., an abstract idea; and if it is, second, considering whether the claim's additional elements transform the nature of the claim into a patent-eligible application. While most post-*Alice* software patent cases have turned on the second step, *Enfish* makes the first step more meaningful, imposing a greater burden on parties attempting to invalidate a software claim.

In *Enfish*, the patents (U.S. Patent Nos. 6,151,604 and 6,163,775) claimed a self-referential model of data tables allowing the storage of information in a single table that could otherwise only be stored in multiple relational tables. Consistent with many courts that have analyzed software patent claims under *Alice*, the district court concluded that the claims were directed to the abstract "concept of organizing information using tabular formats," and found them invalid under Section 101.

The Federal Circuit reversed, and in doing so rejected the notion "that claims directed to software, as opposed to hardware, are inherently abstract and therefore only properly analyzed at the second step of the *Alice* analysis." Instead finding that,

> Software can make non-abstract improvements to computer technology just as hardware improvements can, and sometimes the improvements can be accomplished through either route. We thus see no reason to conclude that all claims directed to improvements in computer-related technology, including those directed to software, are abstract and necessarily analyzed at the second step of *Alice*, nor do we believe that *Alice* so directs. Therefore, we find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the *Alice* analysis.

Applying this holding to the patents at issue, the Federal Circuit found that, unlike in *Bilski* and *Alice*, the *Enfish* claims focused on a specific asserted improvement in computer capabilities. The Federal Circuit panel rejected the district court's broad summary of the claims, cautioning that "describing the claims at such a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule." Instead, the panel found that the claims were specifically directed to a self-referential table for a computer database. In support of its conclusion that the claims were

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patent eligible, the Federal Circuit noted that the claims improve upon and function differently from conventional database structures. Accordingly, the Federal Circuit did not proceed to the second step of *Alice*, as most district courts have in post-*Alice* software cases. The Federal Circuit added that where there are closer calls about how to characterize the claims, the analysis of whether there are arguably concrete improvements in the recited computer technology should take place under step two. In so finding, the Federal Circuit, for only the second time of 20 opportunities, found a patent eligible under Section 101.

Enfish also limited two common arguments that have been broadly wielded to support invalidity. First, the panel clarified that a claim does not automatically fail by virtue of the invention's ability to run on a general purpose computer. Instead, the key inquiry is whether the claims are directed to an improvement in the functioning of a computer, rather than merely adding conventional computer components to well-known business practices. The Federal Circuit also clarified that a claim is not invalid just because the improvement is not defined by reference to physical components. To the contrary, the panel noted, "[m]uch of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes."

Enfish cabins the post-*Alice* invalidity doctrine in ways that are bound to benefit software patentees and give life to plaintiffs in patent litigation. Indeed, the opinion provides plaintiffs with a new framework for preventing the *Alice* analysis from effectively beginning at step two, and imposes a heavier burden on defendants to clearly articulate both *Alice* steps. This is especially important in that defendants in patent cases often invoke Section 101 and *Alice* on motions to dismiss, and have been increasingly successful in disposing of lawsuits early on. But now, no longer can an accused infringer simply cite *Alice* and *Bilski* and immediately proceed to an analysis of whether a software claim has certain transformative elements. Instead, following *Enfish*, accused infringers should be prepared to articulate more carefully how an asserted claim is directed to ineligible subject matter. On the other hand, patentees may have more comfort in opposing Section 101 challenges and would be wise to focus on how the asserted claims improve upon and function differently from the prior art.

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