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Ultramercial Opinion Illuminates Judge Rader's Approach to Patent Eligible Subject Matter

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Legal Update

In June, the Federal Circuit decided *Ultramercial, Inc. v. Hulu, LLC*, where a three judge panel held that a claim for an internet and computer-based method was patent eligible subject matter. Chief Judge Rader authored the majority opinion, which provides valuable insight into his approach to patent eligible subject matter and highlights key factors considered for computer-implemented inventions. Judge Rader's opinion makes clear that he views 35 U.S.C. § 101 as a "course filter" meant to provide only rare exceptions to patentable subject matter. Judge Rader's analysis focused on the question of whether a claim is directed to a particular application of an idea (patentable) or the idea itself (not patentable). Despite this decision's insight, questions remain regarding where the line is drawn between claiming an idea or an application thereof, and uncertainty still exists regarding the rest of the court, especially given the fractured nature of the recent *CLS Bank Int'l v. Alice Corp.* ruling.

The Decision

Section 101 of Title 35 of the US Code states that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent…" In the *Ultramercial* opinion, the Federal Circuit emphasized that patent eligible subject matter under § 101 should be interpreted broadly. In turn, the court indicated that claims directed to systems and computer-readable media comfortably fit within the definition of "process."[1]

However, there are three exceptions to the broad interpretation of patent eligible subject matter. These exceptions, outlined in *Bilski v. Kappos* (among other places), are laws of nature, physical phenomena, and abstract ideas. In *Ultramercial*, the Federal Circuit stated that "[t]he Supreme Court has on occasion recognized narrow judicial exceptions to the 1952 Act's deliberately broadened eligibility provisions…to prevent the 'monopolization' of the 'basic tools of scientific and technological work,' which 'might tend to impede innovation more than it would tend to promote it.'" The Supreme Court itself has used these exceptions to exclude claims from patentability in three cases within the past several years: (1) the above-mentioned *Bilski v. Kappos* (holding that a method of hedging risks in commodity trading falls within the abstract ideas exaction and therefore is not patent eligible subject matter); (2) *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* (holding that a method claim for calibrating a drug dosage according to a patient's metabolic response falls within the law of nature exception and therefore is not patent eligible subject matter), and (3) *Ass'n for Molecular Pathology v. Myriad* (holding that Myriad's claims for DNA sequences fall within the law of nature exception and therefore are not patent eligible subject matter).

In contrast to the Supreme Court's recent use of the exceptions, Judge Rader stated in *Ultramercial* that "[b]road inclusivity is the Congressional goal of § 101, not a flaw," and emphasized that the exceptions should rarely apply.

Abstract Ideas

In the past, the Federal Circuit had used the machine-or-transformation test to determine whether a process claim is patent eligible subject matter or whether the claim is an unpatentable abstract idea. The test considers a claim patent eligible if it is tied to a particular machine or apparatus, or if it transforms a particular article into a different state or thing. In 2010, the Supreme Court in *Bilski* held that the machine-or-transformation test is not the sole test, but offers

good guidance for determining patent eligible subject matter.

In *Ultramercial*, Judge Rader seemed to move further away from the machine-or-transformation test. Judge Rader stated that "it may not make sense to require courts to confine themselves to asking the questions posed by the machine-or-transformation test…[The] test has far less application to the inventions of the Information Age… [because] [t]echnology without anchors in physical structures and mechanical steps simply defy easy classification under the machine-or-transformation categories."

Instead of the machine-or-transformation test, Judge Rader was more concerned with whether the claim as a whole claimed an *application* of an abstract idea rather than the abstract idea itself. According to Judge Rader, if the claim contains limitations that meaningfully tie the underlying abstract idea to an actual application, the claim is patent eligible under § 101. For example, he reasoned that the claims at issue in the Supreme Court decision of *Gottschalk v. Benson* "purported to cover any use of the claimed method in a general-purpose digital computer of any type" and thus were not eligible subject matter. However, the claims at issue in the Supreme Court decision of *Diamond v. Diehr* were eligible subject matter because they did not seek to pre-empt the use of a mathematical equation, just the use of that equation for a specific application (curing synthetic rubber).

Abstract Ideas for Computer-Implemented Inventions

Judge Rader noted that for computer-implemented inventions, the fact that a claim is limited by a tie to a computer remains important for patent eligibility. Such a limitation distances the claim from the abstract idea, and the tie to a computer makes it less likely that the claim will pre-empt all applications. According to Judge Rader,

> [the § 101] inquiry focuses on whether the claims tie the otherwise abstract idea to a *specific way* of doing something with a computer, or a *specific computer* for doing something; if so, they likely will be patent eligible…[C]laims directed to *nothing more than the idea* of doing that thing on a computer are likely to face larger problems. While no particular type of limitation is necessary, meaningful limitations may include the computer being part of the solution, being integral to the performance of the method, or containing an improvement in computer technology.

Holding

The claim at issue in *Ultramercial* recited "a method for distributing copyrighted products (e.g. songs, movies, books) over the Internet where the consumer receives a copyrighted product for free in exchange for viewing an advertisement, and the advertiser pays for the copyrighted content." Judge Rader reasoned that the claim was not deemed abstract in part because the claim was not highly generalized. That is, the idea of monetizing advertising online could be accomplished in other ways, so the claim did not pre-empt the abstract idea.

Although Judge Rader provided a detailed analysis, the opinion leaves many questions yet to be answered, such as how general a patent eligible claim can be written and how specific limitations must be to claim more than an abstract idea. One thing is certain, however, Judge Rader interprets § 101 broadly, stating that it is a "course filter." His decision indicates that the Federal Circuit—or perhaps just Judge Rader given the fractured views illustrated in the recent *CLS Bank* decision—interprets § 101 as a low bar to overcome and will use other tools (such as written description, enablement, obviousness, and novelty) to invalidate claims.

[1]As mentioned in the Federal Circuit decisions of *In re Alappat* and *CLS Bank*, software-based claims can fit within the definition of "machine" if the claim is tied to the computer because the combination of machine and software creates a new machine. As Judge Rader noted in his concurring opinion in *CLS Bank*, "[a] computer without software collects dust, not data."

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