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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Fed. Circ. Lip-Sync Patent Save Clarifies Alice For Software IP

By **Ryan Davis**

Law360, New York (September 14, 2016, 10:48 PM EDT) -- By reversing a lower court's decision that patents on lip-sync animation technology are invalid for claiming an abstract idea, the Federal Circuit has provided guidance that could help save other software patents from invalidation under the U.S. Supreme Court's Alice ruling, attorneys say.

The appeals court ruled Tuesday that a district judge was wrong to invalidate McRO Inc.'s patents for automating the process of producing computer animation of a character who is speaking, which the company accuses numerous major video game makers like Electronic Arts Inc. of infringing.

While Judge George H. Wu of the Central District of California held that the patents were invalid under Alice because they just automated hand-drawn animation processes using a computer, the Federal Circuit found the claimed invention was in fact a patent-eligible specific process for automatically animating characters using particular information and techniques.

The decision, which took an unusually long time to be released after oral arguments in December, will likely be widely cited by owners of software patents defending against Alice challenges and helps clarify what makes software patent-eligible, said Michelle Holoubek of Sterne Kessler Goldstein & Fox PLLC.

"Patent owners everywhere let out a collective sigh of relief when this case came out," she said. "I think this case takes a big step forward in making the line between eligibility and ineligibility less blurry."

In Alice and other decisions, courts have made clear that simply automating a manual process using a computer is not enough to elevate claims to patent-eligible status. The McRO decision fleshes out that concept by explaining what is patent-eligible.

The court noted that McRO's patent is "focused on a specific asserted improvement in computer animation," namely the automatic use of particular rules for animating a character's mouth. The claimed invention does not simply use a computer as a tool to automate a conventional activity because the automated process is different from what animators had done before, the court found.

"It is the incorporation of the claimed rules, not the use of the computer, that improved the existing technological process by allowing the automation of further tasks," it said, holding that it was different from the invention in cases like Alice, "where the claimed computer-automated process and the prior method were carried out in the same way."

The same reasoning may very well apply to other software inventions that involve unconventional steps that are different from the way a task is performed without a computer, as long as those differences are cited in the patent's claims, Holoubek said.

"If the claims are specific enough ... I think this decision will be very helpful and applies to a lot of software," she said.

McRO's attorney Mark Raskin of Mishcon de Reya LLP said in a statement Wednesday that the court's decision will help software patents avoid Alice rejections in the future.

"We are extremely pleased that the Federal Circuit recognized the complexity of McRO's animation technology and ruled that the company's software patents should not be deemed invalid under Alice," he said. "The decision is a significant victory not only for McRO but for the software industry at large as it protects similar technological developments moving forward."

The Alice decision in 2014 laid out a two-step test for evaluating patent eligibility under Section 101 of the Patent Act: The court determines whether the patent is directed to an abstract idea, and if it is, it determines whether it includes elements that ensure that the patent claims more than the idea itself.

Since then, courts have found that many computer-related inventions claim only abstract ideas under the first part of the test and held them invalid. The McRO decision is a rare example of the Federal Circuit reversing one of those rulings and holding that the claims are not directed to an abstract idea, something it also did in a closely watched May decision known as Enfish.

The McRO decision involves a lengthy discussion about the Supreme Court's concerns in the Alice decision about patents that "preempt" the use of abstract ideas by others. The Federal Circuit held that McRO's patent claims do not preempt all processes for achieving automated lip synchronization because they include specific limitations and are therefore not directed to an abstract idea.

By incorporating those features, the patent "is limited to a specific process for automatically animating characters using particular information and techniques and does not preempt approaches that use rules of a different structure or different techniques," the court concluded.

"Preemption played a significant role in the Federal Circuit's analysis of the validity of the claims under 101," said Felicia Boyd of Barnes & Thornburg LLP. "It was the key factor under the court's analysis of the first prong of the 101 invalidity analysis."

The decision also focuses heavily on the claim language and how it is analyzed, which "should help patentees and applicants overcome generic 101 rejections and validity challenges where the arguments made ignore express claim limitations," Boyd said.

Some parts of the decision introduce clarity, including the focus on how differences between a computerized process and what existed previously can convey patent eligibility, said Douglas Nemec of Skadden Arps Slate Meagher & Flom LLP.

"In future cases, those trying to defend claims in patent-eligibility challenges can emphasize the difference between the prior art process and what is claimed in the automated process," he said.

However, he said other parts of the ruling could muddy the waters of patent eligibility, such as the

court's holding that McRO's patent was patent-eligible in part because it was a technological improvement over existing animation techniques. Technological improvements are typically associated with step two of the Alice test, whether the invention claims more than an abstract idea, but the Federal Circuit here looked at it as part of step one, whether the invention is directed to an abstract idea, Nemec said.

"This is already a befuddling area of the law, and the decision might make it even more confusing through the court's effort to clarify it, which is an ironic result," he said.

Compared to cases like Alice, where the claimed invention was essentially a long-standing financial concept that was simply implemented using a computer, the animation process developed by McRO wasn't anything that existed in the world beforehand, and the court therefore found it to be patent-eligible. That holding helps "fill in the lines of what's abstract and what's not in the world of software and computer-based inventions," said Steve Cherny of Kirkland & Ellis LLP.

After scores of motions to invalidate patents under Alice, the Federal Circuit is now illustrating what types of inventions it believes pass muster under the high court's ruling.

"There was a big rush of motions after Alice, and a lot were granted and upheld, but that doesn't mean it's limitless," Cherny said. "The court is starting to draw lines."

The case is McRO Inc. v. Bandai Namco Games America Inc. et al., case number 15-1080, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Christine Chun and Bruce Goldman.
