3 Lessons From Fed. Circ.'s Latest Post-Alice Patent Ruling
By **Ryan Davis**

Law360, New York (November 3, 2016, 7:48 PM EDT) -- Whenever the Federal Circuit wades into what it has called the "murky morass" of patent-eligibility law, the patent bar gets a lot to chew over, and Tuesday's decision reviving four computer network patents offers insight on the definition of an abstract idea and the role of claim construction, attorneys say.

In a 61-page ruling that included a vigorous dissent, the majority held that a district judge wrongly invalidated patents on monitoring network activity that Amdocs (Israel) Ltd. asserted against Openet Telecom Inc. It was the latest in a series of recent rulings by the court reversing decisions that found patents invalid under the U.S. Supreme Court's 2014 Alice ruling.

The majority found that Amdocs' patents do not cover only abstract ideas like using databases to compile network information, as the lower court held, but in fact cover patent-eligible improvements to computer networks.

The majority's holding that there is no single rule on what constitutes an abstract idea, and the way it used the claim construction to find the claims patent-eligible, will reverberate in future patent cases, attorneys say.

There Is No Set Definition of an Abstract Idea

Since the Supreme Court ruled in Alice that abstract ideas implemented using a computer are not patent-eligible under Section 101 of the Patent Act, a lingering question has gnawed at judges and litigants: What exactly is an abstract idea? The majority in the Amdocs case emphasized that the crucial phrase has no set meaning.

"Practitioners hoping to find broad clarity for 101 subject matter eligibility in the latest Amdocs decision will be disappointed, as the Federal Circuit explicitly makes clear its reluctance to provide a test," said Salvador M. Bezos of Sterne Kessler Goldstein & Fox PLLC.

U.S. Circuit Judge S. Jay Plager wrote for the majority that there cannot be "a single, universal definition of 'abstract idea'" because "it is difficult to fashion a workable definition to be applied to as-yet-unknown cases with as-yet-unknown inventions."
Since there is no definition, courts must determine whether a patent is directed to an abstract idea by comparing the claims at issue with prior cases involving similar claims, the majority said. It used that "flexible approach" to find that Amdocs' patents resemble others the Federal Circuit has recently found patent-eligible.

U.S. Circuit Judge Jimmie Reyna used his dissent to argue that there should be a clear definition of an abstract idea. He suggested that an abstract idea is a "desired goal ... absent structure or procedural means for achieving that goal."

The majority retorted that "we commend the dissent for seeking a creative way" to identify abstract ideas, "but that is not now the law, either in statute or in court decision."

The majority's approach of divining abstract ideas by looking at past patent-eligibility decisions means that patent owners have their work cut out for them in the future, Bezos said.

"Accordingly, familiarity with the 23 Federal Circuit decisions regarding subject matter eligibility that are most pertinent to the technology of an invention — both negative and positive — is critical to securing patentable claim scope," he said.

Claim Construction Can Alter the Alice Analysis

Even before Alice, courts grappled with whether it is necessary to construe a patent's claims before deciding if it is patent-eligible. Patent owners often argue that claim construction should be done first, while accused infringers seeking to quickly invalidate the patents say it is not necessary. The Amdocs ruling strengthens the hand of patent owners on that issue, attorneys say.

The majority based its conclusion that Amdocs' patents survive Alice in part on the claim construction established during a previous appeal in the case, and attorneys expect that conclusion to be widely cited by patent owners.

The outcome shows that "claim construction matters should not be glossed over lightly," said Robert Sachs of Fenwick & West LLP.

"So many courts say claim construction isn't necessary, and so they don't do it, but here it actually made a huge difference," he said.

For instance, the claims of one of Amdocs' patents requires computer code that "enhances" a network accounting record. The court construed "enhance" as being dependent on the invention's "distributed architecture," meaning that records are processed close to the source to minimize the impact on network resources.

The court concluded that the distributed architecture is an unconventional way to solve the problem of large records that previously required massive databases. While the claimed invention requires generic components, the claim construction for the word "enhance" means that it is a patent-eligible technological improvement, not an abstract idea, the court concluded.

Patent owners "will want to wrap themselves in this case" and use it to argue that claim construction is necessary, said David Weaver of Baker Botts LLP, but the key to successfully invoking the decision is to show how claim construction would change the outcome.

"You need to identify not just that there are claim construction issues, because there always will be, but that they will make a difference to the 101 analysis," Weaver said.

The majority's ruling may not be the last word, however. Judge Reyna's dissent strongly criticized the majority for importing critical elements like the use of distributed architecture from the specification, or written description, of Amdocs' patent, since they are not found in the claims.

He said that "contravenes the fundamental principle" that the focus of the patent-eligibility analysis should be the claims. The dispute could spur the full court to examine the majority's reasoning, said Yar Chaikovsky of Paul Hastings LLP.

"The majority's reliance on the the patents' written description in the 101 analysis, combined with Judge Reyna's vehement dissent, make this a very strong candidate for rehearing en banc by the Federal Circuit, likely the best out of any of the current 101 cases," he said.

The Court Gave a Boost to Software Patents

The Federal Circuit described patent-eligibility law as a "murky morass" in a 2012 decision, and Alice hasn't made things much clearer in the intervening years, particularly for software patents. However, the Federal Circuit has now issued a recent run of decisions that owners of software patents can take solace in.

The court found that Amdocs' patents were patent-eligible because they cover a technological solution that improved the performance of a computer system, echoing the findings in recent high-profile cases like McRo**,** Bascom and DDR**.**

After a spate of rulings in district court and at the Federal Circuit that invalidated software patents under Alice, Amdocs and those other rulings provide examples of how software can pass the patent-eligibility test, Bezos said.

"As a contribution to the body of common law for subject matter eligibility, Amdocs shines in defense of subject matter eligibility of software patents," he said. "In particular, practitioners should consider the Amdocs decision as broad support for any hardware or software configuration that provides a technological solution to a technological problem."

The rulings should put the patent community on notice that questions about the validity of software patents are best suited to other sections of the Patent Act besides abstract idea challenges, like those dealing with anticipation, obviousness or overbroad written descriptions, Bezos said. By paying attention to those issues, patent owners can help their claims survive, he said.

"Now is the time to take the lessons learned from the 101 cases since Alice and apply them to fixing the right claim scope to withstand written description challenges that will look suspiciously like current abstract idea challenges," he said.

The case is Amdocs (Israel) Ltd. v. Openet Telecom Inc., case number 15-1180, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Katherine Rautenberg and Aaron Pelc.