

DDR Holdings — A Beacon Of Hope For Software Patents?

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The post-Alice patent world has been filled with uncertainty and understandable fears regarding the patent-eligibility of software patent claims. The Alice^[1] and Ultramercial^[2] decisions stand for the premise that claims are patent-ineligible under 35 U.S.C. § 101 if they are directed to an abstract idea and do not contain an inventive concept — a test that many argue has far reach and dooms software patents. The newly issued decision in DDR Holdings LLC. v. Hotels.com^[3] gives some hope that e-commerce software claims can indeed be patent-eligible if the “claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” What does this mean? We will first look at the case itself, and then discuss possible implications.



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Case Background and Summary

On June 19, 2014, the U.S. Supreme Court issued its decision in Alice Corp. Pty Ltd. v. CLS Bank International, holding that computerized abstract patent ideas are not patent eligible. Specifically, the Supreme Court in Alice determined that the claims at issue “simply instruct[ed] the practitioner to implement the abstract idea of intermediated settlement on a generic computer.”^[4] Subsequently, the Federal Circuit in Ultramercial Inc. v. Hulu, utilizing the Alice decision, similarly ruled that the Ultramercial claims were patent-ineligible, because the claims were merely directed to the abstract idea of using advertising as a currency as applied to the particular technological environment of the Internet.^[5]

Alice and Ultramercial, along with a series of other decisions, have created uncertainty among practitioners and inventors alike, with many trying to determine the full implications of these decisions on software claims and questioning the ability to obtain software patents. Against this backdrop, the Federal Circuit recently released its first pro-eligibility decision since Alice, ruling that software claims in an e-commerce system are patent-eligible under 35 U.S.C § 101^[6].

One of the patents at issue in DDR was U.S. Patent No. 7,818,399. The '399 patent involves systems and methods for e-commerce outsourcing. According to the patent prior systems allowed third-party merchants to “lure the [host website’s] visitor traffic away” from the host website by taking visitors to the third-party merchant’s website when they clicked on the merchant’s advertisement on the host

site.[7] As a solution, when a user visits a host's webpage having links to a third-party merchant (e.g., a webpage with an advertisement), and subsequently selects one of the links, the host generates a webpage that combines certain visual elements of the host website (i.e., look and feel) with the content provided by the third-party merchant.

Representative claim 19 of the '399 patent recites:

19. A system useful in an outsource provider serving web pages offering commercial opportunities, the system comprising:

(a) a computer store containing data, for each of a plurality of first web pages, defining a plurality of visually perceptible elements, which visually perceptible elements correspond to the plurality of first web pages;

(i) wherein each of the first web pages belongs to one of a plurality of web page owners;

(ii) wherein each of the first web pages displays at least one active link associated with a commerce object associated with a buying opportunity of a selected one of a plurality of merchants; and

(iii) wherein the selected merchant, the outsource provider, and the owner of the first web page displaying the associated link are each third parties with respect to one other;

(b) a computer server at the outsource provider, which computer server is coupled to the computer store and programmed to:

(i) receive from the web browser of a computer user a signal indicating activation of one of the links displayed by one of the first web pages;

(ii) automatically identify as the source page the one of the first web pages on which the link has been activated;

(iii) in response to identification of the source page, automatically retrieve the stored data corresponding to the source page; and

(iv) using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.[8]

Following the two-part analysis promoted by Mayo[9] and Alice, the court first looked to whether the claims were directed to a patent-ineligible abstract idea. The court noted that the claims were not directed to a mathematical algorithm or a fundamental economic or longstanding commercial practice — subject matter now recognized as patent-ineligible abstract ideas.[10] The court acknowledged that the claims addressed the business challenge of retaining website visitors — but also recognized that this business challenge was specific to the Internet, as opposed to “the performance of a business practice known prior to the ‘pre-Internet world’ along with the requirement to perform it on the Internet.”[11]

Of significance, the “claimed solution is necessarily rooted in computer technology in order to overcome

a problem specifically arising in the realm of computer networks.”[12] According to the court, the claims addressed the problem of retaining website visitors when they would otherwise be instantly transported away from a host’s website after “clicking” on an advertisement and activating a hyperlink, if adhering to the routine, conventional functioning of Internet hyperlink protocols.[13]

Interestingly, the court does not actually decide whether the claims are directed to an abstract idea. The court acknowledges the parties' arguments, and acknowledges Judge H. Robert Mayer's dissent, but merely states that "identifying the precise nature of the abstract idea is not as straightforward as in *Alice* or" other recent cases.[14]

Punting on this first part of the test, the court states that either way, the claims satisfy step two of the *Alice/Mayo* test — determining whether the claims individually and as a whole recited an inventive concept. Regarding the inventive concept, the DDR court differentiated these claims from those that "merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet." The court ruled that the claims included additional features that do not preempt every application of the abstract idea, and amounted to an inventive concept for resolving an Internet-centric problem. The court ruled that the claims recite a specific way to automate the creation of a composite webpage by an “outsource provider” that incorporates elements from multiple sources in order to solve a problem faced by websites on the Internet.[15]

Clearly the court in DDR recognized that its decision would raise further questions in light of the *Alice* and *Ultramercial* decisions, and the court attempted to address any concerns about inconsistencies with those prior decisions. For example, the court highlighted the differences between the claims of the ’399 patent and the patent-ineligible claims in *Ultramercial*. In distinguishing the claims of the ’399 patent, the court noted that the *Ultramercial* claims broadly and generically claimed the “use of the Internet” to perform an abstract business practice, which was not the case here. Instead, the ’399 patent’s claims, as a whole, recited an invention that is not merely the routine or conventional use of the Internet. Namely, performance of the claims differed from the normal result of a user clicking on a hyperlink — normally, the user would be taken to an advertiser's site, while here the user is directed to a newly generated hybrid webpage that combines product information from the third party with the visual “look and feel” elements from the host website.[16]

The court further distinguished the ’399 patent’s claims from the patent-ineligible claims in *Alice*, *Ultramercial*, *buySAFE*, *Accenture* and *Bancorp*, stating that the ’399 patent’s claims did not (1) recite a commonplace business method aimed at processing business information, (2) apply a known business process to the particular technological environment of the Internet, or (3) create or alter contractual relations using generic computer functions and conventional network operations.[17]

Undoubtedly, opponents of the DDR decision on patent-eligibility will disagree with the court’s ruling in this case and side more with the DDR dissent of Judge Mayer. Judge Mayer argued that the claims were merely an Internet iteration of the pre-Internet “store within a store” concept, such as a warehouse store that contains a kiosk for selling a third-party partner’s cruise vacation packages.[18] Judge Mayer, as with his concurrence in *Ultramercial*, focuses on the difference between entrepreneurial innovation and technological innovation. He would have found that the '399 patent claims fall in the realm of entrepreneurial innovation, not technological. But the technological arts test is not the law, at least for now. The majority opinion addressed those concerns, stating that while the concept may have been well-known, “that practice did not have to account for the ephemeral nature of an Internet ‘location’ or the near-instantaneous transport between these locations made possible by standard Internet

communication protocols, which introduces a problem that does not arise in the ‘brick and mortar’ context.”[19] As further articulated by the majority opinion:

In particular, once a customer enters a physical warehouse store, that customer may encounter a kiosk selling third-party cruise vacation packages. There is, however, no possibility that by walking up to this kiosk, the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third-party — the analog of what ordinarily occurs in “cyberspace” after the simple click of a hyperlink — where that customer could purchase a cruise package without any indication that they were previously browsing the aisles of the warehouse store, and without any need to “return” to the aisles of the store after completing the purchase. It is this challenge of retaining control over the attention of the customer in the context of the Internet that the ’399 patent’s claims address.[20]

What Are the Implications of the DDR Decision?

Future cases will determine whether the DDR decision gains traction within the patent community. The DDR decision, however, provides a roadmap that may be used by practitioners when faced with a 35 U.S.C. § 101 issue. Practitioners should carefully analyze their claims to determine whether:

- The claimed solution is necessarily rooted in computer technology in order to overcome a problem "specifically arising in the realm of computer networks."
- The claims do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet.
- The claims specify interactions with the Internet or computer that are manipulated to yield a result that is different than the conventional result.
- The claims do not preempt every application of the abstract idea and provide a specific way to solve the problem that specifically arises in the realm of computer networks.

Claims that meet the above-denoted factors are arguably patent-eligible under 35 U.S.C. § 101, as articulated by the DDR decision, thus providing some hope to patent owners and applicants that software claims are not facing extinction.

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[1] Alice Corp v. CLS Bank Int’l, 134 S. Ct. 2347, 2359 (2014).

[2] Ultramercial Inc. v. Hulu LLC, _F.3d_,2014 (Fed. Cir. Nov. 14, 2014).

[3] DDR Holdings LLC. v. Hotels.com LP, __ F.3d __ (Fed. Cir. Dec. 5, 2014).

[4] Alice, 134 S. Ct. at 2359.

[5] See, Ultramercial.

[6] We note that another patent in the case was found invalid as anticipated. However, that finding is not the focus of this article.

[7] U.S. Patent No. 7,818,399, 2:30–34.

[8] Id. at 4-5.

[9] Mayo Collaborative Services v. Prometheus Laboratories Inc., 132 S. Ct. 1289 (2012).

[10] DDR at 19.

[11] Id. at 20.

[12] Id.

[13] Id. at 22-23.

[14] Id. at 19.

[15] Id. at 23

[16] Id.

[17] Id. at 23-24.

[18] Dissenting Op. 4.

[19] DDR at 21.

[20] Id. at 21-22.
