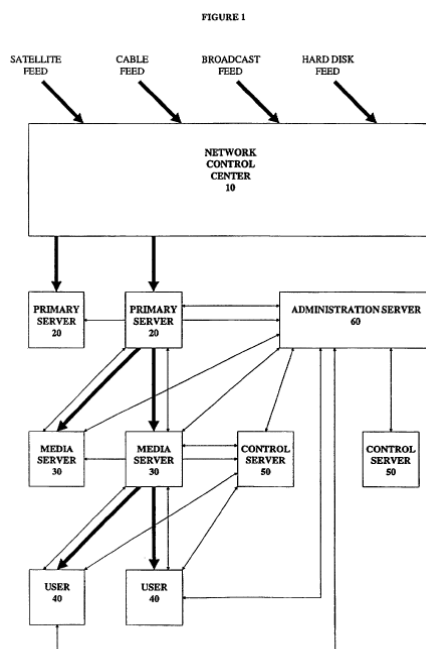


## KRATZ, QUINTOS &amp; HANSON, LLP – IP Newsletter

**IN ORDER TO SAVE A PATENT-INELIGIBLE ABSTRACT IDEA AS A PATENT-ELIGIBLE INVENTION, AN “INVENTIVE CONCEPT” MUST BE EVIDENT IN THE CLAIMS****By: Mel R. Quintos**

In *Two-Way Media Ltd. v. Comcast Cable Communications, LLC.*, decided on November 1, 2017, Two-Way Media Ltd. appealed, to the U.S. Court of Appeals for the Federal Circuit, the district court’s decision that the claims of its four patents-in-suit are directed to patent ineligible subject matter under 35 U.S.C. §101. The patents are entitled “Multicasting Method and Apparatus,” and generally relate to a system for streaming audio and visual data over a communications system (e.g., the internet). The patents describe the invention as an improved system for delivering real-time information. Within this system is a control mechanism, which manages the users who are to receive the real-time information. Shown below is Figure 1 of the patents-in-suit:



In this system, the Primary Servers (20) and Media Servers (30) are interconnected by the internet. The Users (40) are connected to the Media Servers (30) by the Control Servers (50) with the use of a series of message exchanges.

The Federal Circuit affirmed the district court’s finding that the claims of the patents-in-suit are directed to patent ineligible subject matter under 35 U.S.C. §101. The court applied the two-step test outlined in the U.S. Supreme Court case of *Alice Corp. v. CLS Bank Int’l*, set forth as follows:

First, we determine whether the representative claims are “directed to” a judicial exception, such as an abstract idea. \* \* \* If the claims are directed to eligible subject matter, the inquiry ends. [Citations omitted.] [Second, if] the claims are determined to be directed to an abstract idea, we next consider whether the claims contain an “inventive concept” sufficient to “transform the nature of the claim into a patent-eligible application.”

In the *Alice* Step One test, the court ruled that the representative claim only recites a method that converts, routes, controls, monitors, and accumulates records, “but does not sufficiently describe how to achieve these results in a non-abstract way.” Thus, the claim remains as a mere “abstract idea.”

As to the *Alice* Step Two test, *first*, the Federal Circuit agreed with the district court that although the patents’ specifications describe a detailed scalable system architecture as a technological innovation, the claims do not. More particularly, the court found that the claims only refer to data “‘with the specifications of a network protocol’ \* \* \* without specifying the rules forming the communication protocol or specifying parameters.” The claims therefore lack the required “inventive concept.” [Please note: This finding is in contrast to the 2016 Federal Circuit case of *McRO Inc. v. Bandai Namco Games America Inc.*, where the court found patent-eligible subject matter in the claim directed to automating a 3-D animator’s tasks, which “requires that rules [for automation] be rendered in a specific [or detailed] way.”]

*Second*, although Two-Way Media argues that “the claim solves various technical problems, including excessive loads on a source server, network congestion, unwelcome variations in delivery times, scalability of networks, and lack of precise record keeping \* \* \*, [the claim] only uses generic [or broad] functional language to achieve these purported solutions” and therefore lacks any “inventive concept.” [Please note: This reasoning is also in contrast to the court’s finding in the 2016 Federal Circuit case of *Bascom Global Internet v. AT&T Mobility LLC*, where the claim passes the second *Alice* test because the claim “transform[s] the abstract idea of filtering content into a particular, practical application.” In *Bascom*, the claim specifies that the internet content filter is provided at a particular network location to give users the ability to customize filtering for their individual network accounts.]

*Third*, Two-Way Media argues that the claims are not preemptive and therefore patent eligible “because many methods of sending and monitoring the delivery of audio/visual remain available.” The court dismissed this argument as simply “moot” because the claims remain patent ineligible for reasons set forth earlier. [Please note: The court’s position is also in contrast to its decision in the *McRo Inc.* case (see above), where the court found patent eligible claimed subject matter because no preemption was found since the claim recites the use of rules with specific and detailed characteristics in which the rules are applied.]

*Fourth*, Two-Way Media further argues that the evidence directed to the technological innovations of its invention should be considered. However, the court found that such evidence is relevant to a novelty or obviousness analysis, which is separate from a patent eligibility analysis under 35 U.S.C. §101.

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