

## Federal Circuit Patent Bulletin: *Enfish, LLC v. Microsoft Corp.*

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May 12, 2016

*"[There is] no reason to conclude that all claims directed to improvements in computer-related technology, including those directed to software, are abstract and necessarily analyzed at the second step of Alice, nor do we believe that Alice so directs."*

On May 12, 2016, in *Enfish, LLC v. Microsoft Corp.*, the U.S. Court of Appeals for the Federal Circuit (Moore, Taranto, Hughes\*) reversed-in-part, vacated-in-part, affirmed-in-part and remanded the district court's summary judgment that Microsoft did not infringe U.S. Patents No. 6,151,604 and No. 6,163,775, which related to a logical model for a computer database, and that the patents were invalid as ineligible under 35 U.S.C. § 101 and as anticipated under 35 U.S.C. § 102. The Federal Circuit stated:

Section 101 provides that a patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." This court, as well as the Supreme Court, has long grappled with the exception that "[l]aws of nature, natural phenomena, and abstract ideas are not patentable." Supreme Court precedent instructs us to "first determine whether the claims at issue are directed to a patent-ineligible concept." If this threshold determination is met, we move to the second step of the inquiry and "consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." The Supreme Court has not established a definitive rule to determine what constitutes an "abstract idea" sufficient to satisfy the first step of the *Mayo/Alice* inquiry. Rather, both this court and the Supreme Court have found it sufficient to compare claims at issue to those claims already found to be directed to an abstract idea in previous cases. . . . The Supreme Court has suggested that claims "purport [ing] to improve the functioning of the computer itself," or "improv[ing] an existing technological process" might not succumb to the abstract idea exception. . . . We do not read *Alice* to broadly hold that all improvements in computer-related technology are inherently abstract and, therefore, must be considered at step two. Indeed, some improvements in computer-related technology when appropriately claimed are undoubtedly not abstract, such as a chip architecture, an LED display, and the like. Nor do we think that claims directed to software, as opposed to hardware, are inherently abstract and therefore only properly analyzed at the second step of the *Alice* analysis. Software can make non-abstract improvements to computer technology just as hardware improvements can, and sometimes the improvements can be accomplished through either route. We thus see no reason to conclude that all claims directed to improvements in computer-

related technology, including those directed to software, are abstract and necessarily analyzed at the second step of *Alice*, nor do we believe that *Alice* so directs. Therefore, we find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the *Alice* analysis. For that reason, the first step in the *Alice* inquiry in this case asks whether the focus of the claims is on the specific asserted improvement in computer capabilities (i.e., the self-referential table for a computer database) or, instead, on a process that qualifies as an “abstract idea” for which computers are invoked merely as a tool. [I]n *Bilski* and *Alice* and virtually all of the computer-related § 101 cases we have issued in light of those Supreme Court decisions, it was clear that the claims were of the latter type—requiring that the analysis proceed to the second step of the *Alice* inquiry, which asks if nevertheless there is some inventive concept in the application of the abstract idea. In this case, however, the plain focus of the claims is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.

Accordingly, we find that the claims at issue in this appeal are not directed to an abstract idea within the meaning of *Alice*. Rather, they are directed to a specific improvement to the way computers operate, embodied in the self-referential table. . . . The specification also teaches that the self-referential table functions differently than conventional database structures. . . . Moreover, our conclusion that the claims are directed to an improvement of an existing technology is bolstered by the specification’s teachings that the claimed invention achieves other benefits over conventional databases, such as increased flexibility, faster search times, and smaller memory requirements. In finding that the claims were directed simply to “the concept of organizing information using tabular formats,” the district court oversimplified the self-referential component of the claims and downplayed the invention’s benefits. [T]hat the improvement is not defined by reference to “physical” components does not doom the claims. To hold otherwise risks resurrecting a bright-line machine-or-transformation test, or creating a categorical ban on software patents. Much of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes. We do not see in *Bilski* or *Alice*, or our cases, an exclusion to patenting this large field of technological progress.

[W]e are not faced with a situation where general-purpose computer components are added post-hoc to a fundamental economic practice or mathematical equation. Rather, the claims are directed to a specific implementation of a solution to a problem in the software arts. Accordingly, we find the claims at issue are not directed to an abstract idea. Because the claims are not directed to an abstract idea under step one of the *Alice* analysis, we do not proceed to step two of that analysis. We recognize that, in other cases involving computer-related claims, there may be close calls about how to characterize what the claims are directed to. In such cases, an analysis of whether there are arguably concrete improvements in the recited computer technology could take place under step two. Here, though, we think it is clear for the reasons stated that the claims are not directed to an abstract idea, and so we stop at step one. We conclude that the claims are patent-eligible.