

Federal Circuit Patent Bulletin: *In re TLI Commc'ns LLC Patent Litig.*

May 17, 2016

"[Dismissal may be appropriate where the claims are directed to a patent ineligible concept and] the recited physical components [in the specification] behave exactly as expected according to their ordinary use."

On May 17, 2016, in *In re TLI Commc'ns LLC Patent Litig.*, the U.S. Court of Appeals for the Federal Circuit (Dyk, Schall, Hughes*) affirmed the district court's dismissal of TLI's suit alleging infringement of U.S. Patent No. 6,038,295, which related to a method and system for taking, transmitting, and organizing digital images after concluding that the '295 patent was invalid for lack of patent-eligible subject matter under 35 U.S.C. § 101 and alternatively for failing to recite sufficient structure as required by 35 U.S.C. § 112 ¶ 6. The Federal Circuit stated:

A patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." The Supreme Court of the United States has "long held that this provision contains an important implicit exception[:] Laws of nature, natural phenomena, and abstract ideas are not patentable." Under the now familiar two-part test described by the Supreme Court in *Alice*, "[w]e must first determine whether the claims at issue are directed to a patent-ineligible concept," such as an abstract idea. If so, we must then "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." . . .

Turning to *Alice* step one, "[w]e must first determine whether the claims at issue are directed to a patent-ineligible concept," such as an abstract idea. "At step one of the *Alice* framework, it is often useful to determine the breadth of the claims in order to determine whether the claims extend to cover a 'fundamental . . . practice long prevalent in our system . . .'" But in determining whether the claims are directed to an abstract idea, we must be careful to avoid oversimplifying the claims because "[a]t some level, 'all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.'" However, not every claim that recites concrete, tangible components escapes the reach of the abstract-idea inquiry.

On its face, representative claim 17 is drawn to the concept of classifying an image and storing the image based on its classification. While claim 17 requires concrete, tangible components such as "a telephone unit" and a "server," the specification makes clear that the recited physical components merely provide a generic

environment in which to carry out the abstract idea of classifying and storing digital images in an organized manner. . . . The specification does not describe a new telephone, a new server, or a new physical combination of the two. The specification fails to provide any technical details for the tangible components, but instead predominately describes the system and methods in purely functional terms. . . .

[T]he claims are not directed to a solution to a “technological problem”. . . . Nor do the claims attempt to solve “a challenge particular to the Internet.” Instead, the claims, as noted, are simply directed to the abstract idea of classifying and storing digital images in an organized manner. Consistent with the Supreme Court’s rejection of “categorical rules” to decide subject matter eligibility, we have applied the “abstract idea” exception to encompass inventions pertaining to methods of organizing human activity. . . .

Turning to the second step in our analysis, we find that the claims fail to recite any elements that individually or as an ordered combination transform the abstract idea of classifying and storing digital images in an organized manner into a patent-eligible application of that idea. It is well-settled that mere recitation of concrete, tangible components is insufficient to confer patent eligibility to an otherwise abstract idea. Rather, the components must involve more than performance of “‘wellunderstood, routine, conventional activit[ies]’ previously known to the industry.” We agree with the district court that the claims’ recitation of a “telephone unit,” a “server”, an “image analysis unit,” and a “control unit” fail to add an inventive concept sufficient to bring the abstract idea into the realm of patentability.

As an initial matter, TLI argues that, even if known in the prior art, the components recited in the claims cannot be “conventional” within the meaning of the *Alice* absent fact-finding by the court. While we must be mindful of extraneous fact finding outside the record, particularly at the motion to dismiss stage, here we need to only look to the specification, which describes the telephone unit and server as either performing basic computer functions such as sending and receiving data, or performing functions “known” in the art. In other words, . . . the claimed functions are “wellunderstood, routine, activit[ies]’ previously known to the industry.” . . . These steps fall squarely within our precedent finding generic computer components insufficient to add an inventive concept to an otherwise abstract idea. . . . Such vague, functional descriptions of server components are insufficient to transform the abstract idea into a patent-eligible invention.

In sum, the recited physical components behave exactly as expected according to their ordinary use. Although the claims recite that the abstract idea of classifying and storing digital images in an organized manner is carried out in a telephone system, the ‘295 patent fails to provide the requisite details necessary to carry out that idea. Just as “[s]teps that do nothing more than spell out what it means to ‘apply it on a computer’ cannot confer patent-eligibility,” here, steps that generically spell out what it means to “apply it on a telephone network” also cannot confer patent eligibility. Thus, we find that the ‘295 patent is directed to patent-ineligible subject matter and we affirm the district court’s judgment.