



IDEAS ON INTELLECTUAL PROPERTY LAW



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Just desserts?

Why a computerized menu patent was found ineligible

Business method patent surprisingly survives judicial scrutiny

Application accepted

Court says marks can cover certain software

Why novelty doesn't make abstract ideas any less abstract



Cantor Colburn LLP

Just desserts?

Why a computerized menu patent was found ineligible

The decision in *Apple, Inc. v. Ameranth, Inc.* probably wasn't what the patent-holder ordered. Late last year, both the Patent Trial and Appeal Board (PTAB) and the Federal Circuit Court of Appeals (which hears all appeals in patent cases) reviewed Ameranth Inc.'s patents for a computerized restaurant menu system, ultimately sending Ameranth back to the kitchen.

ACCUSED INFRINGERS ASK FOR CHECK

Ameranth holds three patents related to a computer system with hardware and software. The patents describe a menu with categories and items, along with software that can generate a second menu from the first menu by allowing categories and items to be selected. The second menu is manually modified after generation by either handwriting or voice capturing capabilities. It also links orders to a specific table and customer.

The company's patents describe a "preferred embodiment" of the invention for use in the restaurant industry. It consists of a menu of:

- Categories (for example, appetizers),
- Items (chef's salad),
- Modifiers (dressing), and
- Submodifiers (blue cheese).

This menu can be configured on a desktop computer and then downloaded onto a handheld device. The invention replaces a server's note pad or mental list with an electronic device programmed to allow menu items to be selected as a customer places an order.

Ameranth sued a number of companies for infringing its patents. In response, Apple, Inc. and several hospitality, restaurant and event ticket sales companies petitioned the PTAB to review the patents for validity. The board found certain claims in each of the patents to be patent-ineligible abstract ideas, but

it upheld other claims as patent-eligible. Ameranth appealed the ineligibility findings, and Apple and some of the other parties appealed the ruling that some of the claims were patent-eligible.

PATENTEE GETS SERVED

The appeals court applied the two-part patent eligibility test established by the U.S. Supreme court in *Alice Corp Pty. Ltd. v. CLS Bank Int'l*. Under that test, a court must first determine whether the patent claim covers a patent-ineligible abstract idea. If so, the court then must consider whether the claim's additional elements — individually or as a combination — transform the claim into a patent-eligible application of the abstract idea.

The court affirmed the PTAB's conclusion that the defendant's patents related to an abstract idea. It found that the patents cover systems, including menus with particular features. According to the court, the patents don't cover a particular way of programming or designing the software to create menus that have those features. In essence, the patents cover the ability to generate menus with certain features. Moreover, the patents don't cover a specific improvement in the way computers operate.



SATISFYING THE “TECHNOLOGICAL INVENTION” EXCEPTION

The patentee in *Apple, Inc. v. Ameranth, Inc.* (see main article) challenged the Patent Trial and Appeal Board’s finding that its patents were “Covered Business Method” (CBM) patents and therefore subject to board review for validity. A CBM patent covers a method or apparatus for performing data processing or other operations used in the practice, administration or management of a financial product or service. The term doesn’t include patents for technological inventions, though, and the patentee contended that its patents fell within this exception.

As the Federal Circuit Court of Appeals explained, a technological invention must:

- Include a technological feature that is novel and unobvious when compared with existing inventions, and
- Solve a technical problem using a technical solution.

The patentee said its patents described technological features, including specific software distinctive from previous inventions. Also, the opposing parties didn’t show that those features were known or conventional. But the court didn’t even consider the first factor because it found that the invention didn’t solve a technical problem with a technical solution.



The court also agreed with the PTAB that the invention’s central processing unit, data storage device and operating system components were “typical” hardware elements. In fact, the patents described aspects of the menus as “conventional” and stated that the software programming required was “commonly known.” The invention, therefore, merely added familiar computer components to well-known business practices.

COURT MODIFIES ORDER

However, the court reversed the board’s determination that certain claims were patent-eligible. The linked-orders claims cover the process of a server taking an order and keeping track of which customer placed that order, when done using a computer. The court found that this linking of orders to specific customers isn’t an inventive feature but rather a “classic example of manual tasks that cannot be rendered patent-eligible merely by performing them with a computer.”

Similarly, the court held that claims involving the use of handwriting and voice-capture technologies to

manually modify a menu didn’t provide an inventive concept. The patents didn’t explain how the technologies were to be implemented, and the defendant conceded that it hadn’t invented them. As such, the patents covered no more than the use of existing technologies using a computer system.

The court found that the patents don’t cover a particular way of programming or designing the software to create menus.

THE TAKEAWAY

The appeals court’s ruling is yet another example of how the *Alice* test can invalidate a patent. And it makes clear, once again, that merely appending a pre-existing practice or technology to patent-ineligible claims doesn’t render them patent-eligible. □

Business method patent surprisingly survives judicial scrutiny

Business method patents on software have had a tough time in the courts in recent years. But a recent ruling may now provide some hope for patent holders. The Federal Circuit Court of Appeals' decision in *Trading Technologies Int'l, Inc. v. CQG, Inc.* marks a rare example of the court finding software to be patent-eligible. The ruling provides valuable guidance on just what it takes for these patents to withstand judicial scrutiny.

PATENTS TARGET TRADING

Trading Technologies International, Inc., owns two patents on a method and system for the electronic trading of stocks, bonds, futures, options and similar investment products. The patents are intended to address problems that arise when:

- A trader attempts to enter an order at a particular price but misses that price because the market moved before the order was entered and executed, and
- Trades are executed at different prices than intended due to rapid market movement.

The patented inventions are described as reducing the time required for a trader to place a trade on an

exchange, thereby increasing the likelihood that the trader will have orders filled at desirable prices and quantities. The trading system includes a graphical user interface (GUI) that displays a security's current bid and ask prices and quantities in the market. It enables a plurality of bids and asks and provides a static display of prices corresponding to the plurality of bids and asks. The system pairs orders with the static display and prevents orders from being entered at a changed price.

Ineligible patents generally lack steps or limitations specific to the solution of a problem or improvement in the functioning of technology.

Trading Technologies sued CQG, Inc., for infringement of its patents. CQG asked the trial court to dismiss the case, asserting that the covered invention is a patent-ineligible abstract idea. The trial court denied the request, and CQG appealed.

COURT BUYS IN

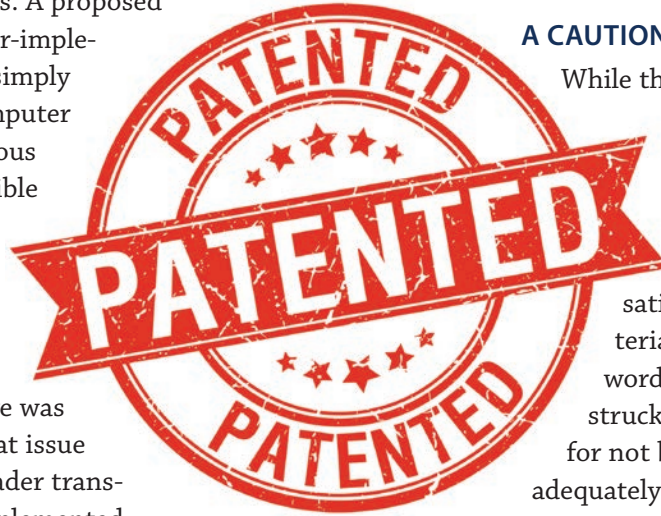
The appeals court began its analysis by citing earlier precedential cases recognizing that specific technological modifications to solve a problem or improve the functioning of a known system typically produce patent-ineligible inventions. Ineligible patents generally lack steps or limitations specific to the solution of a problem or improvement in the functioning of technology.



Turning to Trading Technologies' system, the court explained that, for some computer-implemented methods, software may be essential to conduct the contemplated improvements. A proposed new application or computer-implemented function that isn't simply the generalized use of a computer to conduct a known or obvious process isn't a patent-ineligible abstract idea. Instead, it represents an improvement to the capability of the system as a whole.

According to the court, there was no dispute that the system at issue improves the accuracy of trader transactions using a software-implemented

program. And the GUI method "imparts a specific functionality" to a trading system that implements a solution to "a problem in the software arts."



A CAUTION

While the appeals court found that the patented method and system are patent-eligible, it cautioned that it wasn't taking a stance on whether they satisfy any other statutory criteria of patentability. In other words, the patent could still be struck down for other reasons — for not being novel, nonobvious or adequately described. □

Application accepted

Court says marks can cover certain software

Does a company that provides software perform a service that supports a service mark? In today's technology-driven markets, this question is raised with increased frequency. The Federal Circuit Court of Appeals' recent decision in *In re JobDiva, Inc.* delivered good news to companies using this business model, although it also cited a caveat.

LIKELIHOOD OF CONFUSION

JobDiva has a registered service mark for "personnel placement and recruitment services." The company's software generally provides a database of employment apps that a hiring manager could use to fill a job opening. To facilitate this job-filling process, the

software performs multiple functions. For example, it uses automated "harvesters" to find potential job candidates by searching job boards and aggregating relevant resumés. The company often provides its offerings on a software-as-a-service (SaaS) basis (also known as cloud computing), which allows customers to use the software without downloading it.

JobDiva asked the Trademark Trial and Appeal Board (TTAB) to cancel a mark owned by a competitor, asserting a likelihood of confusion between the two companies' marks. The competitor responded by asking the board to cancel JobDiva's mark, alleging that JobDiva didn't actually perform personnel placement and recruitment services.



NO SERVICE, NO MARK

The TTAB found that JobDiva didn't use its mark in connection with personnel placement and recruitment services. It repeatedly faulted JobDiva for showing only that it offered software for personnel placement and recruitment, instead of providing that software *in addition* to offering such services. The TTAB specifically required JobDiva to prove that it renders personnel placement and recruitment as an independent activity distinct from providing its software.

Ultimately, the TTAB found that JobDiva used its marks on only software offerings — and that software sales alone couldn't constitute personnel and recruitment services. It canceled the mark, and JobDiva appealed the decision.

APPLYING A DIFFERENT TEST

The appeals court agreed with the TTAB's observation that, with modern technology, the line between services and goods sometimes becomes blurred. If a customer visits a company's website and accesses its software to conduct some type of business, the company may be rendering a service, even though the service uses software. Yet a mark used with such a Web-based offering could also identify the provision of software, not a service.

But the court held that the TTAB went wrong when it applied a bright-line rule requiring JobDiva to show that it performed the personnel placement and recruitment services in a way other than having its

software perform those services. The court expressly stated that software may be used by companies to provide services.

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The court explained that a key consideration when determining whether a mark is used in connection with the services described in its registration is the user's perception. The proper question here was: Would a user associate the mark with personnel placement and recruitment services performed by JobDiva, even if software performs each of the steps? The court sent the case back to the TTAB to consider that question.

EVALUATING SOFTWARE CASES

The appeals court's finding that a company can use software to provide services doesn't necessarily mean that software will always support a mark. As the court stated, each case will turn largely on the relevant user's perception of the mark, including factors such as the nature of the user's interaction with the company when using the software and the location of the software host. ▣

Why novelty doesn't make abstract ideas any less abstract

When the inventors of a new design process admitted that they had mentally performed the patented steps themselves, the Federal Circuit Court of Appeals took them at their word. The patent holders in *Synopsys, Inc. v. Mentor Graphics Corp.* ultimately failed the two-step abstract ideas test.

LOGICAL PROCESS

Synopsys, Inc. holds patents related to a process that helps translate functional descriptions of logic circuits into hardware component descriptions. Logic circuits are electrical circuits where all signals take the form of a logic high (known as “true” and often represented by the binary digit “1”) or a logic low (known as “false” and often represented by “0”).

The company sued Mentor Graphics Corporation for infringement, and the defendant countered that the invention was a patent-ineligible abstract idea. The trial court agreed and dismissed the case. Synopsys appealed.

MENTAL MELTDOWN

The appeals court applied the “*Alice* test,” a two-step framework for identifying patents that cover nothing more than abstract ideas. Considering the first step — whether the invention is an abstract idea — the court noted that mental processes are a subcategory of abstract ideas. (For more information on the *Alice* test, see “Just desserts?” on page 2.)



It further found that the patents contain no references to a computer or other physical component and that the patented method can be performed mentally or with pencil and paper by someone who works in the relevant field. In fact, the process’s inventors confirmed this when they admitted to performing the steps mentally. And, according to the court, the patents’ incorporation of software code doesn’t make up for the lack of any computer implementation. As such, the patents cover an abstract idea.

As to the second step (whether the patented invention includes an “inventive concept” that makes an abstract idea patent-eligible), the court determined that the only thing the patents add to the abstract idea is the use of “assignment conditions” as an intermediate step in the translation process. These conditions don’t introduce a technical advance or improvement and include nothing that amounts to significantly more than patents on the abstract idea itself. They’re invalid because they cover an abstract mental process and contain no inventive concept.

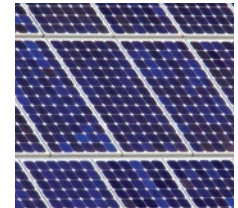
BY ANY OTHER NAME ...

In addition to finding Synopsys’ patents invalid, the court clarified that the inquiry into whether an invention is patent-eligible is distinct from the inquiry into whether it’s novel — even though the two may sometimes overlap. As the court explained, a patent claim for a novel abstract idea is still for an abstract idea. Its newness alone doesn’t make it patent-eligible. ◻



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