United States Court of Appeals for the Federal Circuit

UNILOC USA, INC., UNILOC LUXEMBOURG S.A., UNILOC 2017 LLC,
Plaintiffs-Appellants

v.

LG ELECTRONICS USA, INC., LG ELECTRONICS MOBILECOMM U.S.A., INC., LG ELECTRONICS, INC.,
Defendants-Appellees

2019-1835

Appeal from the United States District Court for the Northern District of California in No. 5:18-cv-06738-LHK, Judge Lucy H. Koh.

Decided: April 30, 2020

JAMES J. FOSTER, Prince Lobel Tye LLP, Boston, MA, argued for plaintiffs-appellants.

J. MICHAEL JAKES, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Washington, DC, argued for defendants-appellees. Also represented by JOSEPH PRESTON LONG.

Before MOORE, REYNA, and TARANTO, *Circuit Judges*.

MOORE, *Circuit Judge*.

Uniloc USA, Inc., Uniloc Luxembourg S.A. and Uniloc 2017 LLC (collectively, Uniloc) sued LG Electronics USA, Inc., LG Electronics MobileComm U.S.A., Inc. and LG Electronics, Inc. (collectively, LG) in the United States District Court for the Northern District of California, alleging infringement of claims of U.S. Patent No. 6,993,049. LG moved to dismiss Uniloc's Second Amended Complaint under Fed. R. Civ. P. 12(b)(6), arguing the claims of the '049 patent are ineligible under 35 U.S.C. § 101. The district court granted LG's motion, determining that the asserted claims are directed to an abstract idea and do not recite an inventive concept. *Uniloc USA Inc. v. LG Elecs. USA Inc.*, 379 F. Supp. 3d 974, 1000 (N.D. Cal. 2019). Because we hold the claims are not directed to ineligible subject matter under § 101, we reverse and remand.

BACKGROUND

The '049 patent is directed to a communication system comprising a primary station (e.g., a base station) and at least one secondary station (e.g., a computer mouse or keyboard). '049 patent at Abstract; *id.* at 1:28–31, 3:31–34. In conventional systems, such as Bluetooth networks,[1] two devices that share a common communication channel form ad hoc networks known as "piconets." *Id.* at 1:19–21. Joining a piconet requires the completion of two sets of procedures, namely an "inquiry" procedure and a "page" procedure. *Id.* at 1:54–55. The inquiry procedure allows a primary station to identify secondary stations and it allows secondary stations to issue a request to join the piconet. *Id.*

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[1] Although the claimed invention is described with particular reference to a Bluetooth system, it is also applicable to other communication systems. '049 patent at 1:6–8.

at 1:56–57. The page procedure in turn allows a primary station to invite secondary stations to join the piconet. *Id.* at 1:57–58. Together, it can take several tens of seconds to complete the inquiry and page procedures so that a device joins a piconet and is able to transfer user input to the primary station. *Id.* at 1:58–61. Once a piconet is formed, the primary station "polls" secondary stations to determine whether they have data to share over the communication channel.

Because many secondary stations are battery-operated, secondary stations may enter a "park" mode and cease active communications with the primary station to conserve power. *Id.* at 1:43–45, 1:62–66. A secondary station in parked mode remains synchronized with the primary station, but it must be polled before it can leave park mode and actively communicate with the primary station. *Id.* at 1:43–51. In conventional systems, primary stations alternate between sending inquiry messages to identify new secondary stations and polling secondary stations already connected to the piconet, including parked devices, to determine whether they have information to transmit. Therefore, under the conventional polling process, a secondary station could experience delays of tens of seconds both in initially joining a piconet and in transmitting data after entering park mode.

The specification explains that the invention improves conventional communication systems by including a data field for polling as part of the inquiry message, thereby allowing primary stations to send inquiry messages and conduct polling simultaneously. *Id.* at Abstract. The claimed invention therefore enables "a rapid response time without the need for a permanently active communication link" between a parked secondary station and the primary station. *Id.* at Abstract. Claim 2 of the '049 patent, which the district court treated as representative, recites:

> 2. A primary station for use in a communications system comprising at least one secondary station, wherein means are provided
>
> > for broadcasting a series of inquiry messages, each in the form of a plurality of predetermined data fields arranged according to a first communications protocol, and
> >
> > for adding to each inquiry message prior to transmission an additional data field for polling at least one secondary station.

LG moved to dismiss Uniloc's Second Amended Complaint under Fed. R. Civ. P. 12(b)(6), arguing the claims of the '049 patent are directed to ineligible subject matter under § 101. Treating claim 2 of the '049 patent as representative, the district court granted LG's motion. The district court held that the asserted claims are directed to the abstract idea of "additional polling in a wireless communication system," analogizing the asserted claims to data manipulation claims we held ineligible in *Two-Way Media Ltd. v. Comcast Cable Communications, LLC*, 874 F.3d 1329 (Fed. Cir. 2017) and *Digitech Image Technologies, LLC v. Electronics for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014). *Uniloc USA Inc.*, 379 F. Supp. 3d at 990. The district court further determined that the claims fail to recite an "inventive concept sufficient to save the claim[s]." *Id.* at 1000. The district court entered judgment in favor of LG. J.A. 1. Uniloc timely appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review a district court's Rule 12(b)(6) dismissal under the law of the regional circuit, here the Ninth Circuit. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1124 (Fed. Cir. 2018). The Ninth Circuit reviews such dismissals de novo, construing all allegations of

material fact in the light most favorable to the nonmoving party. *Livid Holdings Ltd. v. Salomon Smith Barney, Inc.*, 416 F.3d 940, 946 (9th Cir. 2005). Patent eligibility under 35 U.S.C. § 101 is a question of law, based on underlying factual findings. *SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1166 (Fed. Cir. 2018). It may be resolved on a Rule 12(b)(6) motion "when there are no factual allegations that, taken as true, prevent resolving the eligibility as a matter of law." *Aatrix*, 882 F.3d at 1125.

Section 101 provides that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof," may obtain a patent. 35 U.S.C. § 101. The Supreme Court has held that "[l]aws of nature, natural phenomena, and abstract ideas are not patent eligible." *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014) (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)). We follow the Supreme Court's two-step framework for determining patent eligibility under § 101. First, we determine whether the claims are directed to a "patent-ineligible concept," such as an abstract idea. *Id.* at 217. If so, we "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." *Id.* (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 78–79 (2012)).

At *Alice* step one, we determine whether the claims are directed to an abstract idea. *Alice*, 573 U.S. at 217. In cases involving software innovations, this inquiry often turns on whether the claims focus on specific asserted improvements in computer capabilities or instead on a process or system that qualifies an abstract idea for which computers are invoked merely as a tool. *Customedia Techs., LLC v. DISH Network Corp.*, 951 F.3d 1359, 1364 (Fed. Cir. 2020) (citing *Finjan, Inc. v. Blue Coat Systems, Inc.*, 879 F.3d 1299, 1303 (Fed. Cir. 2018)). We have

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