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Certiorari Granted, Judgment Vacated by [WildTangent, Inc. v. Ultramercial, LLC](#), U.S., June 30, 2014

722 F.3d 1335
United States Court of Appeals,
Federal Circuit.

ULTRAMERCIAL, INC., and
Ultramercial, LLC, Plaintiffs–Appellants,
v.
HULU, LLC, Defendant,
and
[WildTangent, Inc.](#), Defendant–Appellee.

No. 2010–1544. | June 21, 2013.

Synopsis

Background: The United States District Court for the Central District of California, [2010 WL 3360098](#), dismissed patent suit after holding that patent claiming a method for distributing copyrighted products over the Internet did not claim patent-eligible subject matter. The United States Court of Appeals for the Federal Circuit, [657 F.3d 1323](#), reversed. The [United States Supreme Court](#), — U.S. —, [132 S.Ct. 2431](#), [182 L.Ed.2d 1059](#), vacated and remanded. On remand, the District Court, [2010 WL 3360098](#), again dismissed patent claims for lack of subject matter eligibility, and patentee appealed.

[Holding:] The Court of Appeals, [Rader](#), Chief Judge, held that claimed invention of a particular internet and computer-based method for monetizing copyrighted products was not manifestly abstract so as to be ineligible for patent protection.

Reversed and remanded.

[Lourie](#), Circuit Judge, filed concurring opinion.

West Headnotes (14)

[1] **Patents**
🔑 Scope, Standard, and Extent of Review

Court reviews the ultimate determination regarding patent-eligible subject matter under without deference. [35 U.S.C.A. § 101](#).

[12 Cases that cite this headnote](#)

[2] **Patents**
🔑 Eligible Subject Matter

Question of patent eligible subject matter must be determined on a claim-by-claim basis. [35 U.S.C.A. § 101](#).

[28 Cases that cite this headnote](#)

[3] **Patents**
🔑 Eligible Subject Matter

Patents
🔑 Classes of Invention or Discovery;
Statutory Subject Matter

Patents
🔑 Necessity of nonobviousness or invention
Purpose of the Patent Act is to encourage innovation, and the use of broadly inclusive categories of statutory subject matter ensures that ingenuity receives a liberal encouragement; plain language of the statute provides that any new, non-obvious, and fully disclosed technical advance is eligible for protection. [35 U.S.C.A. § 101](#).

[Cases that cite this headnote](#)

[4] **Patents**
🔑 Eligible Subject Matter

Court must not read patent eligibility requirements so restrictively as to exclude unanticipated inventions because the most beneficial inventions are often unforeseeable; broad inclusivity is the Congressional goal, not a flaw. [35 U.S.C.A. § 101](#).

[Cases that cite this headnote](#)

[5] **Patents**
🔑 Presumption of correctness in general

In the patent eligibility analysis, the presumption of proper issuance applies to a granted patent. 35 U.S.C.A. § 101.

[Cases that cite this headnote](#)

[6] **Patents**

🔑 Degree of proof

Any attack on an issued patent based on a challenge to the eligibility of the subject matter must be proven by clear and convincing evidence. 35 U.S.C.A. § 101.

[20 Cases that cite this headnote](#)

[7] **Patents**

🔑 Laws of nature, natural phenomena, and abstract ideas; fundamental principles

For patent eligibility purposes, a process need not use a computer, or some machine, in order to avoid “abstractness.” 35 U.S.C.A. § 101.

[Cases that cite this headnote](#)

[8] **Patents**

🔑 Laws of nature, natural phenomena, and abstract ideas; fundamental principles

A claim can embrace an abstract idea and be patentable. 35 U.S.C.A. § 101.

[11 Cases that cite this headnote](#)

[9] **Patents**

🔑 Laws of nature, natural phenomena, and abstract ideas; fundamental principles

A claim is not patent eligible only if, instead of claiming an application of an abstract idea, the claim is instead to the abstract idea itself. 35 U.S.C.A. § 101.

[19 Cases that cite this headnote](#)

[10] **Patents**

🔑 Processes or methods

In determining the eligibility of a claimed process for patent protection, claims must be considered as a whole; it is inappropriate to

dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis, and relevant inquiry is whether a claim, as a whole, includes meaningful limitations restricting it to an application, rather than merely an abstract idea. 35 U.S.C.A. § 101.

[8 Cases that cite this headnote](#)

[11] **Patents**

🔑 Classes of Invention or Discovery; Statutory Subject Matter

Patents

🔑 Use or operation of machine or apparatus as affecting process; “machine or transformation” test

A patent claim is meaningfully limited to an application, rather than merely an abstract idea, and is thus patent eligible, if it requires a particular machine implementing a process or a particular transformation of matter; claim also will be limited meaningfully when, in addition to the abstract idea, the claim recites added limitations which are essential to the invention. 35 U.S.C.A. § 101.

[14 Cases that cite this headnote](#)

[12] **Patents**

🔑 Computers and Software

When assessing computer implemented claims, while the mere reference to a general purpose computer will not save a method claim from being deemed too abstract to be patent eligible, the fact that a claim is limited by a tie to a computer is an important indication of patent eligibility. 35 U.S.C.A. § 101.

[3 Cases that cite this headnote](#)

[13] **Patents**

🔑 Business methods; Internet applications

As a practical application of the general concept of advertising as currency and an improvement to prior art technology, claimed invention of a particular internet and computer-based method for monetizing copyrighted products was not manifestly abstract so as to be ineligible for

patent protection; patent ten specific steps in the claim limited any abstract concept within the scope of the invention, and common sense alone established that those steps were not inherent in the idea of monetizing advertising. [35 U.S.C.A. § 101](#).

[Cases that cite this headnote](#)

[14] **Patents**

 [In general; utility](#)

[US Patent 7,346,545](#). Cited.

[Cases that cite this headnote](#)

Attorneys and Law Firms

*[1337 Lawrence M. Hadley](#), Hennigan, Bennett & Dorman LLP, of Los Angeles, CA, argued for plaintiffs-appellants. With him on the brief were [Hazim Ansari](#) and [Mieke K. Malmberg](#).

[Gregory G. Garre](#), Latham & Watkins, LLP, of Washington, DC, argued for defendant-appellee. On the brief were [Richard G. Frenkel](#) and [Lisa K. Nguyen](#), of Palo Alto, CA. Of counsel were [Richard P. Bress](#), [Gabriel Bell](#) and [Katherine Twomey](#), of Washington, DC.

Before [RADER](#), Chief Judge, [LOURIE](#), and [O'MALLEY](#), Circuit Judges.

Opinion

Opinion for the court filed by Chief Judge [RADER](#).

Concurring opinion filed by Circuit Judge [LOURIE](#).

[RADER](#), Chief Judge.

The United States District Court for the Central District of California dismissed this patent suit, filed by Ultramercial, LLC and Ultramercial, Inc. (collectively, “Ultramercial”), by holding that [U.S. Patent No. 7,346,545](#) (“the ‘545 patent”) does not claim patent-eligible subject matter. In an earlier decision, later vacated by the United States Supreme Court, this court reversed the district court’s holding and remanded. [Ultramercial, LLC v. Hulu, LLC, 657 F.3d 1323 \(Fed.Cir.2011\)](#), vacated sub nom. [WildTangent, Inc.](#)

[v. Ultramercial, LLC](#), — U.S. —, 132 S.Ct. 2431, 182 L.Ed.2d 1059 (2012). Because this court again holds that the district court erred in holding that the subject matter of the ‘545 patent is not a “process” within the language and meaning of [35 U.S.C. § 101](#), this court again reverses and remands.

I.

The ‘545 patent claims a method for distributing copyrighted products (e.g., songs, movies, books) over the Internet where the consumer receives a copyrighted product for free in exchange for viewing an advertisement, and the advertiser pays for the copyrighted content. Claim 1 of the ‘545 patent reads:

A method for distribution of products over the Internet via a facilitator, said method comprising the steps of:

a first step of receiving, from a content provider, media products that are covered by intellectual property rights protection and are available for purchase, wherein each said media product being comprised of at least one of text data, music data, and video data;

a second step of selecting a sponsor message to be associated with the media product, said sponsor message being selected from a plurality of sponsor messages, said second step including accessing an activity log to verify that the total number of times which the sponsor message has been previously presented is less than the number of transaction cycles contracted by the sponsor of the sponsor message;

a third step of providing the media product for sale at an Internet website;

a fourth step of restricting general public access to said media product;

a fifth step of offering to a consumer access to the media product without charge to the consumer on the precondition that the consumer views the sponsor message;

*[1338](#) a sixth step of receiving from the consumer a request to view the sponsor message, wherein the consumer submits said request in response to being offered access to the media product;

a seventh step of, in response to receiving the request from the consumer, facilitating the display of a sponsor message to the consumer;

an eighth step of, if the sponsor message is not an interactive message, allowing said consumer access to said media product after said step of facilitating the display of said sponsor message;

a ninth step of, if the sponsor message is an interactive message, presenting at least one query to the consumer and allowing said consumer access to said media product after receiving a response to said at least one query;

a tenth step of recording the transaction event to the activity log, said tenth step including updating the total number of times the sponsor message has been presented; and

an eleventh step of receiving payment from the sponsor of the sponsor message displayed.

[.545 patent](#) col. 8, ll. 5–48.

Ultramercial sued Hulu, LLC (“Hulu”), YouTube, LLC (“YouTube”), and WildTangent, Inc. (“WildTangent”), alleging infringement of the [.545 patent](#). Hulu and YouTube have been dismissed from the case. WildTangent moved to dismiss for failure to state a claim, arguing that the [.545 patent](#) did not claim patent-eligible subject matter. The district court granted WildTangent’s pre-answer motion to dismiss under Rule 12(b)(6). Ultramercial appeals. This court has jurisdiction under 28 U.S.C. § 1295(a)(1).

[1] This court reviews a district court’s dismissal for failure to state a claim under the law of the regional circuit. *Juniper Networks, Inc. v. Shipley*, 643 F.3d 1346, 1350 (Fed.Cir.2011) (citation omitted). The Ninth Circuit reviews de novo challenges to a dismissal for failure to state a claim under Fed.R.Civ.P. 12(b)(6). *Livid Holdings Ltd. v. Salomon Smith Barney, Inc.*, 403 F.3d 1050, 1055 (9th Cir.2005). This court also reviews the ultimate determination regarding patent-eligible subject matter under 35 U.S.C. § 101 without deference. *In re Ferguson*, 558 F.3d 1359, 1363 (Fed.Cir.2009).

II.

The district court dismissed Ultramercial’s claims for failure to claim statutory subject matter without formally construing the claims and, further, without requiring defendants to file answers. This raises several preliminary issues.

First, it will be rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter. This is so because every issued patent is presumed to have been issued properly, absent clear and convincing evidence to the contrary. *See, e.g., CLS Bank Int’l v. Alice Corp.*, 717 F.3d 1269, 1304–05, 2013 WL 1920941, *33 (Fed.Cir. May 10, 2013) (Chief Judge Rader, and Judges Linn, Moore, and O’Malley, concluding that “any attack on an issued patent based on a challenge to the eligibility of the subject matter must be proven by clear and convincing evidence,” and Judges Lourie, Dyk, Prost, Reyna, and Wallach, concluding that a statutory presumption of validity applies when § 101 is raised as a basis for invalidity in district court proceedings.). Further, if Rule 12(b)(6) is used to assert an affirmative defense, dismissal is appropriate only if the well-pleaded factual allegations in the complaint, construed in the light most favorable to the plaintiff, suffice to establish the defense. *See *1339 Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007); *Jones v. Bock*, 549 U.S. 199, 215, 127 S.Ct. 910, 166 L.Ed.2d 798 (2007). Thus, the *only* plausible reading of the patent must be that there is clear and convincing evidence of ineligibility. For those reasons, Rule 12(b)(6) dismissal for lack of eligible subject matter will be the exception, not the rule.

Second, as is shown more fully below, the analysis under § 101, while ultimately a legal determination, is rife with underlying factual issues. For example, while members of this court have used varying formulations for the precise test, there is no doubt the § 101 inquiry requires a search for limitations in the claims that narrow or tie the claims to specific applications of an otherwise abstract concept. *CLS Bank*, 707 F.3d at 1298–1302, 2013 WL 1920941 at *27–30 (meaningful limitations); *Id.* at 1282–83, 2013 WL 1920941 at *10 (opinion of Lourie, J.). Further, factual issues may underlie determining whether the patent embraces a scientific principle or abstract idea. *Id.* (opinion of Lourie, J.) (“The underlying notion is that a scientific principle ... reveals a relationship that has always existed.”) (quoting *Parker v. Flook*, 437 U.S. 584, 593 n. 15, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978)). If the question is whether “genuine human contribution” is required, and that requires “more than a trivial appendix to the underlying abstract

idea,” and were not at the time of filing “routine, well-understood, or conventional,” factual inquiries likely abound. *Id.* at 1283–85, 2013 WL 1920941 at *11–12. Almost by definition, analyzing whether something was “conventional” or “routine” involves analyzing facts. *Id.* at 1284–85, 2013 WL 1920941 at *12. Likewise, any inquiry into the scope of preemption—how much of the field is “tied up” by the claim—by definition will involve historic facts: identifying the “field,” the available alternatives, and preemptive impact of the claims in that field. The presence of factual issues coupled with the requirement for clear and convincing evidence normally will render dismissal under Rule 12(b)(6) improper.

Third, and in part because of the factual issues involved, claim construction normally will be required. This court has never set forth a bright line rule requiring district courts to construe claims before determining subject matter eligibility. Indeed, because eligibility is a “coarse” gauge of the suitability of broad subject matter categories for patent protection, *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859, 869 (Fed.Cir.2010), claim construction may not always be necessary for a § 101 analysis. *See, e.g., Bilski v. Kappos*, — U.S. —, 130 S.Ct. 3218, 3231, 177 L.Ed.2d 792 (2010) (finding subject matter ineligible for patent protection without claim construction); *CLS Bank*, 717 F.3d 1269, 2013 WL 1920941 (court decided eligibility of subject matter without formal claim construction).

On the other hand, if there are factual disputes, claim construction should be required. The procedural posture of the case may indicate whether claim construction is required. This case involves Rule 12(b)(6), which requires courts to accept the well-pleaded factual allegations as true and to require the accused infringer to establish that the only plausible reading of the claims is that, by clear and convincing evidence, they cover ineligible subject matter. It may also be feasible for the district court to choose to construe the claims in accordance with this court's precedent, or to adopt the construction proffered by the patentee. In either case, it cannot decide factual questions at this stage. At summary judgment, the district court may choose to construe the claims in accordance with this court's precedent, or if not it may choose to give a construction most favorable to the patentee, and to apply the usual rules pertaining to summary judgment *1340 from there, and still require clear and convincing evidence of ineligible subject matter.

Of course, even if not required, on many occasions a definition of the invention by claim construction can clarify

the basic character of the subject matter of the invention. Thus, claim meaning may clarify the actual subject matter at stake in the invention and can enlighten, or even answer, questions about subject matter abstractness. In this procedural posture, however, the subject matter at stake and its eligibility does not require formal claim construction.

[2] Finally, fourth, the question of eligible subject matter must be determined on a claim-by-claim basis. Construing every asserted claim and then conducting a § 101 analysis may not be a wise use of judicial resources.

With these thoughts in mind, the court turns to the question of whether the court correctly dismissed the suit under § 101.

III.

A.

The statute controls the inquiry into patentable subject matter. 35 U.S.C. § 101 sets forth the categories of subject matter that are eligible for patent protection: “[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 therefor, subject to the conditions and requirements of this title.” (Emphasis added). Underscoring its breadth, § 101 both uses expansive categories and modifies them with the word “any.” In *Bilski*, the Supreme Court emphasized that “[i]n choosing such expansive terms modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.” 130 S.Ct. at 3225 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308, 100 S.Ct. 2204, 65 L.Ed.2d 144 (1980)).

The pertinent, expansive definition of “process” in § 100(b) confirms the statute's intended breadth. At first examination, the Act's definition of “process” to include a new use of a known machine seems superfluous. After all, if “any” process may be patented under § 101, § 100(b) seems wholly unnecessary. The amendment was necessary to avoid narrow judicial interpretations of “process” given to the pre-1952 statute. Specifically, the 1952 amendments added § 100(b) to ensure that doubts about the scope of a “process” under the pre-1952 version of the patent statute would not be read into the new Act. P.J. Federico, *Commentary on the New Patent Act*, reprinted in 75 J. Pat. & Trademark Off. Soc'y 161, 177 (1993) (“Remarks have appeared in a few decisions

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