

--- F.Supp.3d ----, 2014 WL 5661456 (C.D.Cal.)
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United States District Court,
 C.D. California,
 Western Division.
ENFISH, LLC, Plaintiff,
 v.

MICROSOFT CORPORATION; Fiserv, Inc.; Intuit,
 Inc.; Sage Software, Inc.; and Jack Henry & Associates,
 Inc., Defendants.

No. 2:12-cv-07360-MRP-MRW.
 Signed Nov. 3, 2014.

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 Mark R. Schafer, Orion Armon, Peter Sauer, Sarah J.
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**ORDER GRANTING DEFENDANTS' MOTION
 FOR SUMMARY JUDGMENT ON INELIGIBILITY
 UNDER 35 U.S.C. § 101**
MARIANA R. PFAELZER, District Judge.

I. Introduction

*1 Plaintiff Enfish, LLC (“Enfish”) has sued Defend-
 ants Microsoft Corporation (“Microsoft”), Fiserv, Inc.,

Intuit, Inc., Sage Software, Inc., and Jack Henry & Asso-
 ciates, Inc. (collectively, “Defendants”) for infringement
 of two patents: U.S. Patent Nos. 6,151,604 (“the ‘604 Pa-
 tent”) and 6,163,775 (“the ‘775 Patent”).^{FN1} In an order
 issued March 31, 2014, the Court invalidated claims 1, 2,
 and 16 of the ‘604 patent as single means claims prohib-
 ited by 35 U.S.C. § 112(a). See *Enfish, LLC v. Microsoft
 Corp.*, 9 F.Supp.3d 1126 (C.D.Cal.2014). In a separate
 order issued March 31, 2014, the Court invalidated claims
 31, 32, 46, and 47 of the ‘604 patent and claims 31, 32,
 and 47 of the ‘775 patent as anticipated under 35 U.S.C. §
 102. See *Enfish, LLC v. Microsoft Corp.*, No. 2:12-cv-
 07360, 2014 U.S. Dist. LEXIS 46523 (C.D.Cal. Mar. 31,
 2014).

FN1. Both patents are continuations of applica-
 tion Ser. No. 08/383,752 filed Mar. 28, 1995,
 and their specifications are substantively the
 same. For consistency, the Court will cite to the
 specification of the ‘604 patent.

Defendants move for summary judgment on the basis
 that all asserted claims are unpatentable under 35 U.S.C. §
 101.^{FN2} For the reasons set forth in this order, the Court
 grants the motion.

FN2. In this order, the Court uses the term “pa-
 tentable” to refer to subject matter eligibility un-
 der § 101.

II. Background

The abstract of the patents provides a clear explana-
 tion of the invention. See ‘604 Patent, Abstract. The pa-
 tents are directed to an information management and da-
 tabase system. The patents improve upon prior art by em-
 ploying a flexible, self-referential table to store data. This
 table is composed of rows and columns. Each column and
 each row has an object identification number (“OID”).
 Rows correspond to records and columns correspond to
 attributes. The intersection of a row and column compris-

--- F.Supp.3d ----, 2014 WL 5661456 (C.D.Cal.)
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es a cell, which may contain information for a particular record relating to a particular attribute. A cell also may simply point to another record. Columns are entered as rows in the table. The record corresponding to a column contains information about the column, rendering the table self-referential.

The invention includes an index structure to allow for searching. A key word index contains text from each cell in the table. This index is itself stored in the table. Text cells in the table contain pointers to entries in the index, and the index contains pointers to the cells. This arrangement provides for extended inquiries. See '604 Patent, 2:66–3:6.

III. Standard for Summary Judgment

The Court shall grant summary judgment if there is no genuine dispute as to any material fact, as supported by facts on the record that would be admissible in evidence, and if the moving party is entitled to judgment as a matter of law. Fed.R.Civ.P. 56; see *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986). Ineligibility under § 101 is a question of law.^{FN3} *In re Comiskey*, 554 F.3d 967, 975 (Fed.Cir.2009). The Court may appropriately decide this issue at the summary judgment stage.

FN3. In an order issued today by this Court in *California Institute of Technology v. Hughes Communications, Inc. (Caltech)*, No. 2:13-cv-7245, slip op. at 3 n. 6 (C.D.Cal. Nov. 3, 2014), the Court discusses the applicability of the clear and convincing evidence standard to § 101 inquiries. Federal Circuit precedent requires courts to apply the standard to § 101 challenges. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1339 (Fed.Cir.2013), *vacated sub nom. WildTangent, Inc. v. Ultramercial, LLC*, 134 S.Ct. 2870 (2014). Despite misgivings about the standard's relevance to § 101, the Court must follow binding precedent. The Court therefore notes that the parties have identified no material disputed facts. The parties dispute only the legal

conclusions drawn from the facts.

IV. Ineligibility Under 35 U.S.C. § 101

Section 101 of the Patent Act defines patentable subject matter: “Whoever 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.” 35 U.S.C. § 101. Section 101 defines four broad categories of patentable inventions: processes, machines, manufactures, and compositions of matter. “Congress took this permissive approach to patent eligibility to ensure that ingenuity should receive a liberal encouragement.” *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (internal quotation marks omitted). But § 101 does not encompass all products of human effort and discovery. Laws of nature, physical phenomena, and abstract ideas are not patentable. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). These exceptions are well established. See, e.g., *Chakrabarty*, 447 U.S. at 309; *Diamond v. Diehr*, 450 U.S. 175, 185 (1981); *Parker v. Flook*, 437 U.S. 584, 600 (1978) (Stewart, J., dissenting); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948); *Le Roy v. Tatham*, 55 U.S. 156, 175 (1853).

*2 On occasion, the Federal Circuit has described § 101 as a “coarse eligibility filter,” barring only “manifestly abstract” inventions and leaving §§ 102, 103, and 112 as the finer sieves. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1341, 1354 (Fed.Cir.2013), *vacated sub nom. WildTangent, Inc. v. Ultramercial, LLC*, 134 S.Ct. 2870 (2014). But in the Supreme Court's last few terms, it has indicated that patentability is a higher bar. See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347, 2334–35 (2014); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2116 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S.Ct. 1289, 1293–94 (2012); *Bilski*, 130 S.Ct. at 3230–31. As noted by Judge Mayer of the Federal Circuit, a “robust application” of § 101 ensures “that patent protection promotes, rather than impedes, scientific progress and technological innovation.” *I/P Engine, Inc. v. AOL Inc.*, 576 F. App'x

--- F.Supp.3d ----, 2014 WL 5661456 (C.D.Cal.)
(Cite as: 2014 WL 5661456 (C.D.Cal.))

982, 996 (Fed.Cir.2014) (nonprecedential) (Mayer, J., concurring).

The concern underlying § 101 is preemption: the idea that allowing a patent on the invention will impede innovation more than it incentivizes it. Of course, a court should not overstate this concern. By definition, every patent preempts an area of technology. A patentee with a groundbreaking invention is entitled to monopolize a segment of technology, subject to the limits of the Patent Act.^{FN4} The court must be wary of litigants who exaggerate preemption concerns in order to avoid developing innovative workarounds. See *McRO, Inc. v. Sega of America, Inc.*, No. 2:12-cv-10327, 2014 WL 4749601, at *7 (C.D.Cal. Sept. 22, 2014) (Wu, J.) (“[W]e must be wary of facile arguments that a patent preempts all applications of an idea. It may often be easier for an infringer to argue that a patent fails § 101 than to figure out a different way to implement an idea, especially a way that is less complicated.” (internal quotation mark omitted)). Nonetheless, § 101 prevents patentees from too broadly claiming a building block of research and development. Building blocks include basic tools of mathematics or formulas describing preexisting natural relationships. See *Mayo*, 132 S.Ct. 1296–97; *Benson*, 409 U.S. at 68, 72. But “a novel and useful structure created with the aid of knowledge of scientific truth” may be patentable. *Mackay Radio & Tel. Co. v. Radio Corp. of America*, 306 U.S. 86, 94 (1939).

FN4. Justice Stevens in *Parker v. Flook*, 437 U.S. 584 (1978), expressed skepticism at the notion of preemption as a § 101 concern, perhaps for this reason. *Id.* at 590 n. 11 (“[T]he formula [in *Benson*] had no other practical application; but it is not entirely clear why a process claim is any more or less patentable because the specific end use contemplated is the only one for which the algorithm has any practical application.”).

Concerns over preemption have called into question when, if ever, computer software is patentable. A basic truth is that algorithms comprise computer software and

computer codes. See J. Glenn Brookshear, *Computer Science: An Overview* 2 (6th ed. 2000) (“A machine-compatible representation of an algorithm is called a **program**. Programs, and the algorithms they represent, are collectively referred to as **software**.”). But Supreme Court precedents make clear that “a scientific truth, or the mathematical expression of it, is not a patentable invention.” *Benson*, 409 U.S. at 67. In light of this principle, the Supreme Court has heavily scrutinized algorithms and mathematical formulas under § 101. See, e.g., *Flook*, 437 U.S. at 594–95 (finding unpatentable mathematical formula for updating alarm limits); *Benson*, 409 U.S. at 71–72 (finding unpatentable mathematical formula for converting binary-coded decimal to pure binary). In early § 101 decisions on computer technology, the Supreme Court suggested that Congress, rather than courts, should determine whether software is patentable. See *Flook*, 437 U.S. at 596 (“It is our duty to construe the patent statutes as they now read, in light of our prior precedents, and we must proceed cautiously when we are asked to extend patent rights into areas wholly unforeseen by Congress.”); *Benson*, 409 U.S. at 73 (“If these programs are to be patentable, considerable problems are raised which only committees of Congress can manage, for broad powers of investigation are needed, including hearings which canvass the wide variety of views which those operating in this field entertain.”).

*3 But intervening precedents and Congressional action have demonstrated that software is patentable. In *Diamond v. Diehr*, 450 U.S. 175 (1981), the Supreme Court found patentable a method claim implementing a mathematical formula on a computer. See *Diehr*, 450 U.S. at 179 n. 5, 192–93 (finding patentable claim on “method of operating a rubber-molding press for precision molded compounds with the aid of a digital computer”). More recently, in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S.Ct. 2347 (2014), the Supreme Court again suggested that software is patentable. See *id.* at 2359 (suggesting that software which improves function of a computer may be patentable).^{FN5} Moreover, the America Invents Act mentions “computer program product[s]” in a section discussing tax strategy patents. See Leahy–Smith

--- F.Supp.3d ----, 2014 WL 5661456 (C.D.Cal.)
 (Cite as: 2014 WL 5661456 (C.D.Cal.))

America Invents Act, 112 P.L. 29, § 14, 125 Stat. 284, 327–28 (2011). This section implicitly affirms software as eligible subject matter. *See* Mark J. Patterson & M. Andrew Pitchford, *First to File*, 47 *Tenn. B.J.* 14, 16 (November 2011) (“[T]ax strategies are no longer patentable, but ... computer implemented methods and computer program products (e.g., software) have been implicitly affirmed as patentable subject matter.”); *see also* *Bilski*, 561 U.S. at 595 (noting that courts should not “violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous”); *Cal. Inst. of Tech. v. Hughes Commc’ns, Inc.* (*Caltech*), No. 2:13-cv-7245, slip op. at 12–15 (C.D.Cal. Nov. 3, 2014)

FN5. The Supreme Court also stated, somewhat cryptically, that “many computer-implemented claims are *formally* addressed to patent-eligible subject matter.” *Alice*, 134 S.Ct. at 2359 (emphasis added). It is unclear whether this statement explicitly approves of software patents or merely notes that some eligible patents on industrial processes happen to recite computers.

The aftermath of *Alice* tells a different but misleading story about software patentability. *Alice* brought about a surge of decisions finding software patents ineligible. *See, e.g., buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed.Cir.2014) (invalidating claim addressed to a “transaction performance guaranty” performed on a computer); *Digitech Image Techs., LLC v. Elec. for Imaging, Inc.*, 758 F.3d 1344, 1349, 1351 (Fed.Cir.2014) (invalidating method claim for generating and combining data sets for device profile); *Eclipse IP LLC v. McKinley Equip. Corp.*, No. 8:14-cv-742, 2014 WL 4407592 (C.D.Cal. Sept. 4, 2014) (invalidating claims reciting methods for communications). Despite this flurry of § 101 invalidations, in reality, *Alice* did not significantly increase the scrutiny that courts must apply to software patents. It held only that an ineligible abstract idea does not become patentable simply because the claim recites a generic computer. *See Alice*, 134 S.Ct. at 2360 (“[T]he claims at issue amount to ‘nothing significantly more’ than an instruction to apply the

abstract idea of intermediated settlement using some unspecified, generic computer. Under our precedents, that is not ‘enough’ to transform an abstract idea into a patent-eligible invention.” (citations omitted)). Courts must not extend the reach of *Alice* too far, lest they read in § 101 limitations that do not exist. *Cf. Bilski*, 561 U.S. at 603 (“This Court has not indicated that the existence of these well-established exceptions gives the Judiciary *carte blanche* to impose other limitations that are inconsistent with the text and the statute’s purpose and design.”). In evaluating the patentability of computer software, courts must continue to rely on the Supreme Court’s long line of § 101 precedents. *Alice*’s holding is only a small part of evaluating patentability.

*4 Other than its narrow holding, *Alice* reaffirmed that courts must evaluate patent eligibility using the two-part test applied in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289 (2012). First, a court must ask if the claim is “directed to one of those patent-ineligible concepts”: a law of nature, physical phenomenon, or abstract idea. *Alice*, 134 S.Ct. at 2355. Second, if the claim is directed to one of these concepts, the court must ask “[w]hat else is there in the claims before us?” *Mayo*, 132 S.Ct. at 1297. This second step determines whether there is an “inventive concept” that “ensure[s] that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Alice*, 134 S.Ct. at 2355. These steps are broadly stated and, without more, would be difficult to apply. Although the two-part test was created in *Mayo*, pre-*Mayo* precedents offer guidance in applying the steps.

A. The First Step of *Mayo*

At the first step of *Mayo*, the court must identify whether a claim is directed to an abstract idea. To do so, the court must identify the purpose of the claim—in other words, determine what the claimed invention is trying to achieve—and ask whether that purpose is abstract. For example, in *Alice*, the court concluded that the claims were directed to mitigating settlement risk using a third party, but the claims recited more. The claims outlined an entire process, including creating shadow records, obtain-

--- F.Supp.3d ----, 2014 WL 5661456 (C.D.Cal.)
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ing from an exchange institution a start-of-the-day balance, and so on. See *Alice*, 134 S.Ct. at 2359. But these steps were meant to achieve the purpose of mitigating settlement risk. The Supreme Court took the same approach in *Bilski* and *Mayo* by characterizing the claims in terms of the inventions' purposes: hedging risk and applying a natural law, respectively. See *Bilski*, 561 U.S. at 611; *Mayo*, 132 S.Ct. at 1296–97.

Characterization of a claim is essential to the § 101 inquiry. In *Diamond v. Diehr*, 450 U.S. 175 (1981), the dispute boiled down to *what* the majority and dissent were evaluating for abstractness. See *id.* at 206 (Stevens, J., dissenting) (faulting majority for characterizing claim by its purpose, which was “constantly measuring the actual temperature inside a rubber molding press”). The *Diehr* majority took the correct approach by asking what the claim was trying to achieve, instead of examining the point of novelty. *Id.* at 207. Courts should recite a claim's purpose at a reasonably high level of generality. Step one is a sort of “quick look” test, the purpose of which is to identify a risk of preemption and ineligibility. If a claim's purpose is abstract, the court looks with more care at specific claim elements at step two.

At step one, prior art plays no role in the analysis. The court does not filter out claim elements found in prior art and evaluate the remaining elements for abstractness. See *Caltech*, slip op. at 18–21; *but see McRO*, 2014 WL 4749601 at *9 (claims must be evaluated in light of prior art because such art is “understood, routine, conventional activity”). Using prior art to filter out elements revives the point-of-novelty approach of *Parker v. Flook*, 437 U.S. 584 (1978), which was rejected by *Diehr*. See *Diehr*, 450 U.S. at 189 (noting that novelty “is of no relevance” when determining patentability); *Flook*, 437 U.S. at 586–87 (filtering out claim elements using prior art and focusing only on point of novelty).^{FN6} The Supreme Court did not revive *Flook's* methodology in *Bilski*, *Mayo*, or *Alice*.

FN6. Justice Stevens' dissent in *Diehr* is proof that the Supreme Court abandoned this methodology. Justice Stevens faults the majority for not

focusing on the point of novelty—that is, what the patentee newly invented, as opposed to what the patentee borrowed from the prior art. See *Diehr*, 50 U.S. at 211–12 (Stevens, J., dissenting) (“[I]f the only concept that the inventor claims to have discovered is not patentable subject matter, § 101 requires that the application be rejected without reaching any issue under § 102; for it is irrelevant that unpatentable subject matter—in that case a formula for updating alarm limits—may in fact be novel. Proper analysis, therefore, must start with an understanding of what the inventor claims to have discovered—or phrased somewhat differently—what he considers his inventive concept to be.”).

*5 Using prior art at step one also impermissibly conflates the two steps of *Mayo*. Of course, at step two, courts must remember that reciting purely conventional activity will not save a claim, and claim elements found in prior art may occasionally, though not always, constitute conventional activity. *Mayo*, 132 S.Ct. at 1298. But at step one, the court neither identifies nor disregards conventional activity. That inquiry occurs only at step two.

Once the court has identified a claim's purpose, it must determine whether that purpose is abstract. This task is difficult, especially with regard to computer software. Because software is necessarily intangible, accused infringers can easily mischaracterize and oversimplify software patents. Cf. *Oplus Techs. Ltd. v. Sears Holding Corp.*, No. 12–cv–5707, 2013 WL 1003632, at *12 (C.D.Cal. Mar. 4, 2013) (“All software *only* ‘receives data,’ ‘applies algorithms,’ and ‘ends with decisions.’”). To avoid this trap, courts should rely on Supreme Court precedents to help determine whether a claim is abstract. Recent precedents have suggested longstanding, fundamental practices may be abstract. For example, in *Bilski v. Kappos*, 561 U.S. 593 (2010), the Supreme Court invalidated a claim addressed to hedging risk, a fundamental economic practice long in use. See *id.* at 611. Similarly, in *Alice*, the Supreme Court invalidated a claim addressed to a computerized method of intermediated settlement be-

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