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Intellectual Property Law

Keywords: **subject matter eligibility, 35 U.S.C. § 101**

General: **An abstract idea, implemented using a routine, conventional activity, is insufficient to supply an "inventive concept."**

Ultramercial, Inc. v. Hulu, LLC
U.S. Court of Appeals Federal Circuit
No. 2010-1544
Decided November 14, 2014

I. Facts

Ultramercial, Inc. ("Ultramercial") was issued U.S. Patent No. 7,346,545 ("the '545 patent") directed toward using advertisement as an exchange or form of currency. Generally, the '545 describes a technique for prompting a user to view an advertisement in exchange for viewing copyrighted material. Additionally, the '545 patent determined which advertisements to present to the user based on the number of times the advertisements had been viewed compared to the number of advertisements that were paid for. Representative independent claim 1 is reprinted below:

> 1. 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;
>
> 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;
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> 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.

As described by the Federal Circuit, the '545 patent includes: 1) receiving copyrighted media from a content provider; 2) selecting an ad after consulting an activity log to determine whether the ad has been played less than a certain number of times; 3) offering the media for sale on the Internet; 4) restricting public access to the media; 5) offering the media to the consumer in exchange for watching the selected ad; 6) receiving a request to view the ad from the consumer; 7) facilitating display of the ad; 8) allowing the consumer access to the media; 9) allowing the consumer access to the media if the ad is interactive; 10) updating the activity log; and 11) receiving payment from the sponsor of the ad. In this manner, advertising is used as a form of currency to "pay" for viewing the copyrighted media.

Ultramercial filed suit against multiple defendants, including Hulu, YouTube, and WildTangent in the Central District of California. Hulu and YouTube were dismissed from the proceedings, but WildTangent moved to dismiss the case, arguing that the '545 patent did not contain eligible subject matter. WildTangent's motion was granted without a *Markman* Hearing to construe the claims. Ultramercial appealed and the Federal Circuit determined the District Court erred and reversed. WildTangent then filed a writ of certiorari, and the Supreme Court vacated and remanded in view of *Mayo*. On remand, the Federal Circuit reversed the District Court's ruling again, and WildTangent filed another writ of certiorari. While the writ was pending, the Supreme Court decided *Alice* and vacated the Federal Circuit's decision to reconsider in view of *Alice*.

II. Issue

Is performing a novel abstract idea using routine, conventional activities sufficient to show an inventive concept?

III. Discussion

No. An abstract idea, implemented using a routine, conventional activity, is insufficient to supply an "inventive concept."

The Federal Circuit reviewed the District Court's determination of patent eligibility *de novo*. To start their evaluation, the Federal Court reiterated the test for patent eligibility from *Alice*, which includes: 1) determining whether the claims at issue are directed to a patent-ineligible concept, and 2) if so, determining whether additional elements ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.

First, the Federal Circuit determined that the heart of the '545 patent included an abstract idea, namely, using advertisement as an exchange or currency. Additionally, the Federal Circuit noted that the steps of the method included no concrete or tangible form, even with the steps directed toward evaluating and updating activity logs to pick the advertisements. Furthermore, the Federal Circuit noted that "addition of merely novel or non-routine components to the claimed idea [does not] necessarily turn an abstraction into something concrete." As a result, the Federal Circuit determined that step 1 of the *Alice* framework was satisfied and the '545 patent was directed toward a patent-ineligible concept, that is, an abstract idea.

Next, the Federal Circuit evaluated step 2 of *Alice*, to determine if the claims "do significantly more" that just describe the abstract method. In other words, the Federal Circuit evaluated the claims to find the "inventive concept" to elevate the '545 patent above just an abstract idea. The Federal Circuit determined that the claims did not include an "inventive concept" and therefore did not transform the claims of the '545 patent to anything more than implementation of an abstract idea using routine, conventional activities. During their evaluation, the Federal Circuit noted that extra steps such as updating the activity log and requiring a request from the user were insufficient to transform the abstract idea of offering media in exchange for viewing an advertisement. For example, the Federal Circuit said that updating the data log was merely data-gathering. Also, the "active" request for the advertisement from the user was categorized as a "pre-solution activity," and insufficient to rise to the level of "inventive concept." Furthermore, the Federal Circuit noted that because the Internet is so ubiquitous in society, including the Internet in the claims did nothing to raise the claims above a description of an abstract idea. Moreover, merely limiting the claim to advertising on the Internet is also insufficient.

The Federal Circuit also applied the machine-or-transformation test to provide a "useful clue" during the step 2 evaluation. The machine-or-transformation test evaluates: 1) if a claimed process is tied to a particular machine or apparatus and 2) if it transforms a particular article into a different state or thing. However, the Federal Circuit noted that the claims of the '545 used a general purpose computer and not any particular machine or apparatus. Additionally, the Federal

Circuit noted that the claims of the ‘545 patent were not directed to physical objects or substances, so nothing was transformed into a different state or thing.

It should be noted that the Federal Circuit explicitly stated “we do not purpose to state that all claims in all software-based patents will necessarily be directed to an abstract idea. Future cases may turn out differently.”

IV. Conclusion

The Federal Circuit affirmed the District Court’s determination that the asserted claims in the ‘545 patent do not claim patent-eligible subject matter, and affirmed the granting of WildTangent’s motion to dismiss.

V. Concurrence

Judge Mayer concurred with the decision that the ‘545 patent is directed toward ineligible subject matter. However, Judge Mayer wrote to emphasize three points: the threshold inquiry of § 101, that no presumption of eligibility should be attached to the § 101 inquiry, and propose a test he believed was presented in *Alice*.

First, Judge Mayer emphasized that the threshold question of eligibility should be addressed first, before time and resources are expended during litigation, to reduce “vexatious” infringement suits, and “clearing the patent thicket.” Judge Mayer also pointed to the recent cases regarding subject matter eligibility and determined that many patents have not been evaluated properly. Therefore, he did not believe the presumption of eligibility should apply with patent evaluations. Finally, Judge Mayer believes a technical arts test was set forth in *Alice*. For example, he believes that claims directed toward entrepreneurial objectives should be considered non-eligible because they fail the technical arts test. However, claims that use natural laws and scientific principles to solve problems should be eligible, if they describe the technical objective and precise set of instructions for achieving it.

VI. Practice Tips

- Claims directed to more than just a solution to a general problem
- Include some technical aspect to overcome
- Draft claims with machine-or-transformation test in mind