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Intellectual Property Law

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

OIP Technologies, Inc.. v. Amazon.com, Inc.
U.S. Court of Appeals Federal Circuit
No. 2012-1696
Decided June 11, 2015

I. Facts

OIP, Technologies. ("OIP") was issued U.S. Patent No. 7,970,713 ("the '713 patent") directed toward computer-implemented methods for pricing a product for sale. According to the '713 patent, traditional pricing of goods is done manually based on a merchandisers qualitative knowledge of products, pricing experience, product brand strength, market conditions, and other business factors. The problem with this approach, according to the '713 patent, is that the merchandiser setting the prices can be slow to react to changing market conditions, which results in an imperfect pricing model where a merchandiser does not realize optimal or maximum profits. To address these problems, the '713 patent describes a price-optimization method that "helps vendors automatically reach better pricing decisions through automatic estimation and measurements of actual demand to select prices." '713 patent col. 8, l. 15-17. Independent claim 1 is reproduced below:

> 1. A method of pricing a product for sale, the method comprising:
>
> testing each price of a plurality of prices by sending a first set of electronic messages over a network to devices;
>
> wherein said electronic messages include offers of said product;
>
> wherein said offers are to be presented to potential customers of said product to allow said potential customers to purchase said product for the prices included in said offers;
>
> wherein the devices are programmed to communicate offer terms, including the prices contained in the messages received by the devices;

> wherein the devices are programmed to receive offers for the product based on the offer terms;
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> wherein the devices are not configured to fulfill orders by providing the product;
>
> wherein each price of said plurality of prices is used in the offer associated with at least one electronic message in said first set of electronic messages;
>
> gathering, within a machine-readable medium, statistics generated during said testing about how the potential customers responded to the offers, wherein the statistics include number of sales of the product made at each of the plurality of prices;
>
> using a computerized system to read said statistics from said machine-readable medium to automatically determine, based on said statistics, an estimated outcome of using each of the plurality of prices for the product;
>
> selecting a price at which to sell said product based on the estimated outcome determined by said computerized system; and
>
> sending a second set of electronic messages over the network, wherein the second set of electronic messages include offers, to be presented to potential customers, of said product at said selected price.

As described by the Federal Circuit, the '713 patent includes: 1) testing a plurality of prices; 2) gathering statistics generated about how customers reacted to the offers testing the prices; 3) using that data to estimate outcomes (i.e., mapping the demand curve over time for a given product); and 4) automatically selecting and offering a new price based on the estimated outcome.

OIP filed suit against Amazon.com alleging infringement of the '713 patent. Amazon.com filed a motion to dismiss OIP's complaint, arguing that the '713 is drawn to patent-ineligible subject matter. The district court granted Amazon.com's motion, finding that the asserted claims of the '713 patent merely use a general-purpose computer to implement the abstract idea of "price optimization." In particular, the district court stated that the claims merely describe "what any business owner or economist does in calculating a demand curve for a given product." OIP appealed.

II. Issue

Is performing a abstract idea of offer-based price optimization using routine, conventional activities sufficient to show an inventive concept?

III. Discussion

No. An abstract idea, implemented using a generic computer, is insufficient to supply an "inventive concept" that "transforms" claimed subject matter into a patent-eligible application of that idea.

The Federal Circuit reviewed the district court's determination of patent eligibility *de novo*. 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, such as an abstract idea, and 2) if so, determining whether additional claim elements (both individually and "as an ordered combination") transform the nature of the claim into a patent-eligible application.

First, the Federal Circuit determined that the '713 patent is directed to the concept of offer-based price optimization, which the Federal Circuit considered similar to other fundamental economic concepts found to be abstracts ideas by the Federal Circuit and the Supreme Court. The Federal Circuit also noted that while the claims do not preempt all price optimization or may be limited to price optimization in an e-commerce setting, such facts do not make the claims any less abstract. Thus, the Federal Circuit determined that step 1 of the *Alice* framework was satisfied.

Next, the Federal Circuit evaluated step 2 of *Alice*, to determine if the claims "transform" the claimed abstract idea into a patent-eligible application. The Federal Circuit determined that the claims did not include any "meaningful limitation" on the abstract idea of offer-based price optimization. Instead, the Court found that the claims merely recite routine conventional activities,' either by requiring conventional computer activities or routine data-gathering steps." For example, the steps of presenting offers to customers and gathering statistics were found by the Court to be "well-understood, routine, conventional data-gathering activities that do not make the claims patent eligible."

The Court further noted that the claims were "exceptionally broad" and the computer implementation limitations did "little to limit their scope." In fact, the specification of the '713 patent the programming and computer hardware recited in the claim "refers to any sequence of instructions designed for execution on a computer system." '713 patent, col. 6 ll. 31-33. The specification and prosecution history of the '713 patent also emphasized that the key distinguishing feature of the claims is the ability to automate or otherwise make more efficient traditional price-optimization methods. However, the Federal Circuit stated that relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.

IV. Conclusion

The Federal Circuit affirmed the district court's determination that the asserted claims in the '713 patent do not claim patent-eligible subject matter, because the claims are merely directed to implementing the abstract idea of price optimization on a generic computer.

V. Practice Tips

- Automation of routine tasks with a generic computer is insufficient to render subject matter patent eligible, even if such automation enables improvements in speed, accuracy, and efficiency.
- Draft specifications to focus on technical solutions and advantages beyond those stemming purely from automation of routine tasks.
- Avoid describing benefits in specification as "key", "primary", etc. because such statements may be used against a patent owner.
- In method claims, recite novel structure where possible and sensible.