ARE Patent Law Alert: In Bascom v AT&T, the Federal Circuit Continues to Find Computer-Implemented Claims to be Patent-Eligible under Step Two of the Alice Test

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Just over a month after it confirmed in *Enfish* that not all computer-implemented patents are directed to an abstract idea under step one of the *Alice* test (as we previously reported here), the Federal Circuit continued the trend of finding computer-implemented claims to be patent-eligible in *Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC*, No. 2015-1763 (Fed. Cir. June 27, 2016) ("*Bascom*"). In *Bascom*, the Federal Circuit found a system for filtering Internet content to be patent-eligible under step two of the *Alice* test.

The decision explained that the Federal Circuit has now found claims eligible under both step one of the *Alice* test (in *Enfish, LLC v. Microsoft Corp.*, No. 2015-1244 (Fed. Circ. May 12, 2016) ("*Enfish*")) and under step two (in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) ("*DDR*")). It then proceeded to find the claims-at-issue patent-eligible under step two, similar to the claims in *DDR*.

At step one (i.e., whether the claims are directed to an "abstract idea"), the Federal Circuit found the claims to be directed to "filtering content on the Internet." It agreed with the District Court that "filtering content is an abstract idea because it is a longstanding, well-known method of organizing human behavior, similar to concepts previously found to be abstract." While the Federal Circuit acknowledged the patentee Bascom's position that the claims are directed to a "specific implementation" of filtering content and not "filtering content on the Internet" itself, the Federal Circuit stated that, unlike *Enfish*, this case presented a "close call[ ] about how to characterize what the claims are directed to." Thus, like it did in *DDR*, the Federal Circuit "deferred" its "consideration of the specific claim limitations' narrowing effect for step two."

At step two (i.e., whether the claims contain an "inventive concept"), the Federal Circuit found that those specific claim limitations were amounted to "something more" than the abstract idea of filtering content, and transformed the claims into a into a patent-eligible invention. Specifically, the inventive concept identified in *Bascom* was "the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user." In conducting this step two analysis, the Court clarified several key points:

1. Like in *Enfish*, the Federal Circuit's holding confirmed that an invention's

ability to run on a general-purpose computer does not "doom" the claim. In fact, *Bascom* opinion agreed "with the district court that the limitations of the claims, taken individually, recite generic computer, network and Internet components, none of which is inventive by itself."

2. Yet, as also explained in *Enfish*, the *Bascom* holding reiterated that even limitations reciting well-known or generic steps or components cannot be ignored in a patent-eligibility analysis; the claims must be considered as a whole. Indeed, the *Bascom* opinion found that the inventive concept was "found in the ***non-conventional and non-generic arrangement of known, conventional pieces***."

3. Along these lines, the novelty of the claimed invention over the prior art is relevant claim to patent-eligibility. *Bascom* criticized the district court's analysis as "look[ing] similar to an obviousness analysis under 35 U.S.C. § 103, except lacking an explanation of a reason to combine the limitations as claimed." The Court explained that "***[t]he inventive concept inquiry requires more than recognizing that each claim element, by itself, was known in the art***."

Bascom explained that when these elements were properly considered as an ordered combination, they did not "merely recit[e] the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components." Instead, similar to the claims in *DDR*, the claims here were directed to "a technology-based solution" that ***overcame existing problems with the prior art*** content-filtering systems. Accordingly, "the claimed invention represent[ed] a 'software-based invention[ ] that improve[s] the performance of the computer system itself.'"

4. Finally, as it did in *DDR*, the Federal Circuit noted that preemption was relevant to step two of the *Alice* test, finding that the "claims [do not] preempt all ways of filtering content on the Internet; rather, they recite a ***specific, discrete implementation*** of the abstract idea of filtering content."

In light of these considerations - because "BASCOM ha[d] alleged that an inventive concept can be found in the ordered combination of claim limitations that transform the abstract idea of filtering content into a particular, practical application of that abstract idea" - the Federal Circuit vacated the District Court's finding of ineligibility and remanded for further proceedings.

It is notable that Judge Newman issued a concurring opinion that agreed with the majority opinion, but urged district courts to first decide issues of patentability (e.g., under 103 or 112) instead of patent-eligibility. She argued that the new judicial protocols that consider eligibility issues first are a waste of judicial resources, because the need for eligibility determinations is "always" resolved or mooted by a determination of patentability issues. For example, she argued that "[s]ubject matter that complies with Section 112 averts the generality or vagueness or imprecision or over-breadth that characterize abstract ideas." In the context of this case, Judge Newman agreed that remand was necessary because the patentee Bascom must be permitted the opportunity to litigate patentability under 102, 103, and 112, but that it

would have been more efficient for the district court to have resolved those issues in the first instance.

Judge Newman's concurring opinion may be contrasted with the statement in the Court's opinion, that section 101 is an independent "basis for a patentability/validity determination" such that "[c]ourts may . . . dispose of patent-infringement claims under § 101 whenever procedurally appropriate."

In sum, *Bascom*'s new guidance regarding what claims may be patent-eligible under step two of the *Alice* test - coming over a year after the Federal Circuit's previous guidance on the issue in *DDR*, but just weeks after *Enfish* - should aid patent attorneys in finding ways to show that computer-implemented inventions are patent-eligible.

We will continue to monitor developments in patent-eligibility under 35 U.S.C. § 101. In the meantime, for more information on patent-eligibility, please contact one of our attorneys.

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