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In Enfish v. Microsoft, the Federal Circuit Recognizes Limits on Alice as Applied to Computer Software

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As previously reported, since the Supreme Court's decision in *Alice v. CLS*, many lower courts and the U.S. Patent and Trademark Office ("USPTO") have overzealously applied that decision to improperly invalidate patents on the grounds that they are not patent-eligible under 35 U.S.C. § 101. *See, e.g.*, Time to Correct Section 101 Patent-Eligibility Law in the U.S., LawyerIssue, April 20, 2016; High Court Urged To Make Clear if Software is Patentable, Law360, April 16, 2016; Amici Ask Federal Circuit to Curb Misapplication of Alice to Specific, Novel, and Concrete Inventions, IPwatchdog.com, December 27, 2015.

In *Enfish v. Microsoft*, the Federal Circuit begins to address this concern, with its first decision finding a computer implemented invention patent-eligible since *DDR Holdings v. Hotels.com* in 2014.

In *Enfish*, the Federal Circuit reversed the district court's finding that the patents at issue were ineligible under Section 101. In evaluating the claims, which are generally related to a "self-referential" database, under the two-part *Alice* inquiry, the Court found that the claims were patent-eligible at Step 1 and thus, Step 2 did not need to be addressed. In other words, the claims were ***not*** "directed to" an abstract idea in the first instance. In this regard, the Court emphasized that "[t]he 'directed to' inquiry, therefore, cannot simply ask whether the claims*involve* a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical products and actions involves a law of nature and/or natural phenomenon—after all, they take place in the physical world." (Slip op. at 10 (emphasis in original)).

The Federal Circuit also clarified how the alleged "abstract idea" should be defined, and rejected recent efforts that "overgeneralized" the alleged abstract idea. In *Enfish*, the district court concluded that the claims were directed to the abstract idea of "storing, organizing, and retrieving memory in a logical table" or "the concept of organizing information using tabular formats." The Federal Circuit rejected this conclusion, explaining that "describing the claims at such a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule." (Slip op. at 14). The Federal Circuit further explained that "the claims are not simply directed to *any* form of storing tabular data, but instead are specifically directed to a *self-referential* table for a computer database." (Slip op. at 14 (emphasis in original)).

In applying the first step in an *Alice* analysis, *Enfish* emphasized the importance of considering the claim as a whole, and criticized the district court for "oversimplify[ing] the self-referential component of the claims and downplay[ing] the invention's benefits." (Slip op. at 15). *Enfish* began its analysis by recognizing that claims directed to software are just as patent-eligible as claims directed to hardware:

Software can make non-abstract improvements to computer technology just as hardware improvements can, and sometimes the improvements can be accomplished through either route. We thus see no reason to conclude that all claims directed to improvements in computer-related technology, including those directed to software, are abstract and necessarily analyzed at the second step of *Alice*, nor do we believe that *Alice* so directs.

(Slip op. at 11).

Enfish expressly rejected the misguided notion that "the invention's ability to run on a general-purpose computer dooms the claims." (Slip op. at 16). In doing so, *Enfish* confirmed that *Alice*, *Versata*, and other Federal Circuit precedent merely stand for the proposition that "the claims at issue in *Alice* and *Versata* can readily be understood as simply adding conventional computer components to well-known business practices." (Slip op. at 16 (including string cite distinguishing other Federal Circuit cases)). Importantly, this distinction, consistent with*Alice* and *Bilski*, was only drawn against "well-known" business practices, in contrast to "any" business practice. Elsewhere, *Enfish* discusses "fundamental and conventional" business practices (slip op. at 10) and "fundamental economic" practices (slip op. at 18) as coming within the "abstract" ambit under *Alice*. Again, *Enfish* does not seek to enlarge that category to include "any" business practice, or new, inventive, or unconventional business practices, as some have attempted to do.

Enfish also confirmed "that the improvement is not defined by reference to 'physical' components does not doom the claims." (Slip op. at 17). *Enfish* explained how such a misguided concept is expressly rejected by the Supreme Court in *Bilski* and makes no sense:

Much of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes. We do not see in *Bilski* or *Alice*, or our cases, an exclusion to patenting this large field of technological progress.

(Slip op. at 18).

Enfish concluded by explaining:

In other words, we are not faced with a situation where general-purpose computer components are added post-hoc to a fundamental economic practice or mathematical equation. Rather, the claims are directed to a specific implementation of a solution to a problem in the software arts. Accordingly, we find the claims at issue are not directed to an abstract idea.

(Slip op. at 18).

Because it was clear that this invention was not "directed to" an "abstract idea" under Step 1, the Court "stopped" and did not go on to analyze the invention under Step 2. This new guidance from the Federal Circuit with respect to Step 1 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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