

McRO Syncs Automation Software With Patent Eligibility

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Software patent owners in the United States breathed a collective sigh of relief on Sept. 13, 2016, when the Federal Circuit issued its decision in *McRO Inc. v. Bandai Namco Games America Inc.* The *McRO* decision, holding claims of U.S. Patent Nos. 6,307,576 and 6,611,278 statutory under 35 U.S.C. § 101, marks only the fourth pro-§101 decision (out of 20) since the U.S. Supreme Court's landmark holding in *Alice v. CLS Bank*.



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Why were patent owners nervous about the *McRO* case? Because these claims really seemed eligible. Owners and applicants felt that if claims like *McRO*'s weren't eligible, then what hope did innovators of any new software method have? Even the district court judge — who ultimately invalidated the claims — agreed: “Facially, these claims do not seem directed to an abstract idea. They are tangible, each covering an approach to automated three-dimensional computer animation, which is a specific technological process. They do not claim a monopoly ... Further, the patents do not cover the prior art methods.”[1]

So what happened? Let's start with the technology — matching audio to 3-D animated mouth movement to provide lip-synched animation. Previously, an animator would manually try to match the mouth shape of a computer animation to an audio stream based on a timed transcript. Specifically, the animator would manually set values that render animations on a computer to match the audio at predetermined points in time (“key frames”) in the transcript, and then the computer would interpolate the animations between successive values. Not only was this process time consuming, but the manual renderings were subjective based on the individual animator.

The *McRO* inventions automated this process. But the automation was not simply coding the existing manual process onto a computer. Rather, because the prior technology required animators to make subjective decisions about animation values, specific rule sets had to be developed and implemented so that no manual intervention was necessary. Essentially, the new process turned a subjective method into an objective, reproducible method based on rule sets. A representative claim follows:

A method for automatically animating lip synchronization and facial expression of three dimensional characters comprising:

obtaining a first set of rules that define output morph weight set stream as a function of phoneme sequence and time of said phoneme sequence;

obtaining a timed data file of phonemes having a plurality of sub-sequences;

generating an intermediate stream of output morph weight sets and a plurality of transition parameters between two adjacent morph weight sets by evaluating said plurality of sub-sequences against said first set of rules;

generating a final stream of output morph weight sets at a desired frame rate from said intermediate stream of output morph weight sets and said plurality of transition parameters; and

applying said final stream of output morph weight sets to a sequence of animated characters to produce lip synchronization and facial expression control of said animated characters.

At the district court, invalidity under §101 was raised in a motion for judgment on the pleadings. In holding the claims ineligible, Judge George Wu in the Central District of California analyzed the claims under a point-of-novelty style test. The judge determined the claims' "point of novelty here is the idea of using rules, including timing rules, to automate the process of generating key frames." [2] And because the claims did not identify what those specific timing rules were, "the claim merely states 'an abstract idea while adding the words 'apply it.'"" [3]

If the Automated Process Is New and Different From the Manual Version, It Is Eligible

In overturning the district court, the Federal Circuit distinguished between eligible and noneligible types of automation. If automating a previously manual process simply involves programming a computer with the exact same steps as the manual process, such a process will be considered abstract. But if, by automating on a computer, new steps must be developed that did not exist before, then the process is new and not abstract — as long as those specific, new steps are actually recited in the claims:

By incorporating the specific features of the rules as claim limitations, claim 1 is limited to a specific process ... and does not preempt approaches that use rules of a different structure or different techniques ... The claim uses the limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice. [4]

This is true even if the computer being used is a general-purpose computer: "While the rules are embodied in computer software that is processed by general-purpose computers, Defendants provided no evidence that the process previously used by animators is the same as the process required by the claims." [5] "It is the incorporation of the claimed rules, not the use of the computer, that 'improved [the] existing technological process.'" [6]

For software patents in general, this means that many patent claims will need to be more focused than practitioners or applicants may be comfortable with. However, a change of mindset is needed to successfully obtain these types of patents in a post-Alice world. Requiring the claims to positively recite details that distinguish the claims from the art balances the applicant's desire to protect its innovation with the public policy rationale for limiting the scope of protection to the innovative concepts and no more, so that entire fields are not preempted. This also requires the patent applications themselves to include sufficient detail to support these types of claims and arguments.

While some may bristle at the thought of combining prior art analysis with eligibility analysis, evaluating whether the process is "new" is supported by the language of §101 itself: "Whoever invents or discovers any new and useful process ... or any new and useful improvement thereof, may obtain a patent

therefor” subject to the remaining requirements. The concept of novelty within §101 has existed since its inception, unlike the application of obviousness standards to §101 that has been infiltrating the analysis of Alice step 2.

To be fair, McRO is somewhat of a departure from other Federal Circuit cases post-Alice that conduct this claims/prior art comparison under Alice step 2 instead of step 1, as was done here. But the court’s decision here reinforces the following: Specific limitations in the claim that distinguish the invention from the art not only overcome concerns under §§102/103, but provide the additional benefit of making the claims so specific that they are no longer abstract, and do not preempt all applications of the overarching concept.

The Dangers of Forcing an Early § 101 Decision

An interesting question remains, however: Would this case have turned out differently if the patent challenger — here the defendant in a district court action — hadn’t jumped the gun by requesting a decision before development of all the evidence? This case arose from a motion on the pleadings, meaning that the record below had not been fully developed. Recently, in *Bascom v. AT&T*, the Federal Circuit vacated and remanded a §101 case back to the district court for similar reasons: there was simply not enough information about whether the evidence would support a finding that, under Alice step 2, additional elements in the claim would be considered well-known and unconventional, and thus nothing justified dismissal under Rule 12(b)(6).[7]

While the McRO court simply reverses the district court’s decision on §101, the court’s continued reference to the lack of evidence can’t be ignored:

- "Defendants provided no evidence that the process previously used by animators is the same as the process required by the claims ... Defendants point to the background section of the patents, but that information makes no suggestion that animators were previously employing the type of rules required by claim 1." [8]
- "This is unlike *Flook*, *Bilski*, and *Alice*, where the claimed computer-automated process and the prior method were carried out in the same way." [9]
- And most clearly: "Defendants’ attorney’s argument that any rules-based lip-synchronization process must use the claimed type of rules has appeal, but no record evidence supports this conclusion." [10]

The court does not otherwise address the procedural posture of the case. But patentees and challengers alike can glean important insight from this undercurrent in the court’s opinion. To argue eligibility of an automated process under §101, patent owners should identify differences between the automated computer process and a manually implemented version of the process. Did the inventors encounter any obstacles when trying to automate the process? Does automation require replacing previously subjective steps with objective, reproducible steps? If so, such arguments can support a pro-eligibility argument. But McRO tells us that these differences must be fully described in the specification, and recited in the claims.

On the flip side, patent challengers should think twice about raising a §101 challenge too early in the process. In a typical litigation, a party would hardly expect success if it presented its case-in-chief with no evidence. The Federal Circuit here, and in combination with its more explicit discussion of the same

in *Bascom*, sends a message that §101 cases are no different. At the district court, defendants may introduce unnecessary — and possibly unrecoverable — risk of loss into their §101 challenges by forcing a decision too soon. If a claim’s recited elements are specific and potentially reflect a departure from the state of the art, a challenger needs to submit evidence — or at least provide examples — showing that the specific elements are not novel. Conclusory statements alleging the same will not be enough, and such evidence is generally developed only by allowing the case to proceed through discovery. Similarly, challengers at the Patent Trial and Appeal Board (in a post-grant review or covered business method patent review) should ensure that their experts explain why the claims are not novel in light of the art, addressing the specific limitations of the claims both individually and as a whole.

Software Patents Now Have a More Clear Path to Victory

In summary, automated processes are not ineligible simply because they are performed on a general purpose computer. Differences between the automated process and the corresponding manual process can be exploited to show why the innovation warrants protection under §101. This argument should be powerful for patent owners and applicants in a variety of industries where computers are used to automate manual processes, from diagnostics to animation to web tech — particularly if the manual processes required some level of subjectivity by the actor.

While the *McRO* decision nonetheless blurs the line between prior art analysis and eligibility, every §101 decision pulls the curtain back a little more on the difference between eligible and noneligible claims. The court’s analysis here, showing the level of detail needed to make an automated process patent-eligible, is both a welcome guidepost in navigating the post-Alice legal landscape and a warning to challengers raising issues without evidence.

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[1] *McRO, Inc. v. Namco Bandai Games America, Inc.*, No. CV 12-10322-GW, Ruling, pp. 13-14.

[2] *Id.*, p. 17.

[3] *Id.*, p. 18.

[4] *McRO, Inc. v. Bandai Namco Games America, Inc.*, No. 2015-1080 (Fed. Cir. 2016) (Slip Op. at 27).

[5] *Id.*, p. 24.

[6] *Id.*, p. 24.

[7] *Bascom Global Internet v. AT&T Mobility LLC*, No. 2015-1763 (Fed. Cir. 2016) (Slip Op. at 20).

[8] *McRO*, Fed. Cir. Slip Op. at 24.

[9] Id.

[10] Id., p. 26.

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