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Federal Circuit Patent Bulletin: *OIP Techs., Inc. v. Amazon.com, Inc.*

June 11, 2015

"[R]elying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible."

On June 11, 2015, in *OIP Techs., Inc. v. Amazon.com, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Taranto, Mayer, Hughes*) affirmed the district court's judgment on the pleadings that U.S. Patent No. 7,970,713, which related to computer-implemented methods for pricing a product for sale, was invalid for lack of statutory subject matter under 35 U.S.C. § 101. The Federal Circuit stated:

A patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." The Supreme Court has "long held that this provision contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable." Under the now familiar two-part test described by the Supreme Court in Alice, "[w]e must first determine whether the claims at issue are directed to a patent-ineligible concept," such as an abstract idea. If so, we must then "consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application.

Here, the claims are directed to the concept of offer-based price optimization. Claim 1 broadly recites a "method of pricing a product for sale," and the specification describes the invention as an "automatic pricing method and apparatus for use in electronic commerce." This concept of "offer based pricing" is similar to other "fundamental economic concepts" found to be abstract ideas by the Supreme Court and this court. And that the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract.

Beyond the abstract idea of offer-based price optimization, the claims merely recite "well-understood, routine conventional activit[ies]," either by requiring conventional computer activities or routine data-gathering steps. Considered individually or taken together as an ordered combination, the claim elements fail "to 'transform' the claimed abstract idea into a patent-eligible application." For example, claim 1 recites "sending a first set of electronic messages over a network to devices," the devices being "programmed to communicate," storing test results in a "machine-readable medium," and "using a computerized system . . . to automatically

determine" an estimated outcome and setting a price. Just as in Alice, "all of these computer functions are 'well-understood, routine, conventional activit[ies]' previously known to the industry."

Moreover, the claims are exceptionally broad and the computer implementation limitations do little to limit their scope. Indeed, the specification makes clear that this "programming" and the related computer hardware "refers to any sequence of instructions designed for execution on a computer system." At best, the claims describe the automation of the fundamental economic concept of offer-based price optimization through the use of generic-computer functions. Both the prosecution history and the specification emphasize that the key distinguishing feature of the claims is the ability to automate or otherwise make more efficient traditional price-optimization methods. For example, the specification states that a core advantage of the invention is reducing the "extremely high testing costs" of "[b]rute force live price testing." Likewise, the patentee distinguished traditional pricing research, by emphasizing that "the techniques described in [the prior art] generally cost more and take more time, and are less accurate than the technique recited in [the claims]." And "automatically determining an estimated outcome using each of the plurality of prices for the product . . . means that pricing decisions are made with more granularity." But relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.

Nor does the claims' recitation of "present[ing] [offers] to potential customers" and "gathering . . . statistics generated during said testing about how the potential customers responded to the offers" provide a meaningful limitation on the abstract idea. These processes are well-understood, routine, conventional data-gathering activities that do not make the claims patent eligible. [T]he addition of steps to test prices and collect databased on customer reactions does not add any meaningful limitations to the abstract idea.