IP Alert: Step One and Done to Patent Eligibility: Finjan, Inc. v. Blue Coat Systems, Inc.



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Finjan, Inc. v. Blue Coat Systems, Inc.

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The U.S. Court of Appeals for the Federal Circuit in Finjan, Inc. v. Blue Coat Systems, Inc., appeal no. 2016-2520 (Fed. Cir. Jan. 10, 2018), affirmed the U.S. District Court for the Northern District of California's holding of patent eligibility of U.S. Patent No. 6,154,844 (the '844 patent), and in doing so, provided further guidance for identifying patent eligibility for software-based patent claims under 35 U.S.C. § 101. The Finjan court affirmed that software-based innovations can make "non-abstract improvements to computer technology" and can be held patent-eligible at step one of the two-step framework set forth by the U.S. Supreme Court in Alice, without even needing to proceed to step two. [i]

In 2013, Finjan sued Blue Coat, which is a division of Symantec, for infringement of four U.S. patents directed to identifying and protecting against malware. After a bench trial in which the claims of the '844 patent were held to be patent eligible, the jury awarded Finjan almost $40 million in damages for the four patents— $24 million of which was awarded for infringement of the '844 patent. The '844 patent is directed at a system and method for providing computer security by attaching a security profile to a downloadable, where the downloadable was construed to mean "an executable application program, which is downloaded from a source computer and run on the destination computer." Julie Mar-Spinola, Finjan's chief intellectual property officer and vice president of legal operations, described the '844 patent as the behavior-based approach to virus scanning pioneered by Finjan.[ii] Claim 1 of the '844 patent, which the court held to be representative, reads:

> Claim 1. A method comprising:

receiving by an inspector a Downloadable;

generating by the inspector a first Downloadable security profile that identifies suspicious code in the received Downloadable; and

linking by the inspector the first Downloadable security profile to the Downloadable before a web server makes the Downloadable available to web clients.

The court framed the question at issue as, whether the behavior-based virus scan of the '844 patent constitutes an improvement in computer functionality.[iii] In holding that it does, the court looked to the '844 patent specification after first construing two claim terms. As construed, the court noted that the '844 patent claims describe "behavior-based" virus scanning in contrast to traditional "code-matching" virus scanning.[iv] Moreover, the court noted that the claimed "security profile" approach allowed better filtering over prior art methods.[v] The Finjan court found that the claims employ "a new kind of file that enables a computer security system to do things that it could not do before," such as accumulating and using newly available, behavior-based information about potential threats to, inter alia, allow tailoring for different users and ensuring that threats are identified before a file reaches a user's computer.[vi]

Furthermore, relying on the now-frequently-used common law approach to assess patent eligibility, the court compared Finjan's claims to those from Enfish v. Microsoft,**[vii]** in which the Federal Circuit held the claimed invention to be patent eligible; and contrasted Finjan's claims to those in several cases holding patent ineligibility.[viii] The court succinctly summarized a foundational principle of patent law—that a result, even if an innovative result, is not itself patentable; and then proceeded to reconcile that principle with its holding. The court rationalized that Finjan's claims recite more than a mere result; instead, they recite specific steps that accomplish the desired result. Meanwhile, there is no dispute that an inventive arrangement is disclosed for accomplishing that result.[ix] Therefore, the court affirmed the patent eligibility of the claims of the '844 patent as "non-abstract and found no need to proceed to step two of Alice."[x]

Takeaways

There are several takeaways from Finjan.[xi] Notably, building on its precedent in Enfish, the Federal Circuit has reaffirmed that purely software-based inventions that do no interact with the tangible world remain patent-eligible subject matter. Moreover, the Finjan court's reasoning reiterates the importance of drafting a patent specification that showcases and contrasts inadequacies of prior art solutions. Finally, Finjan underscores the continuing importance of claim construction in obtaining a favorable patent-eligibility holding—even more so when the claimed method only recites three steps.

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[i] Finjan, Inc. v. Blue Coat Systems, Inc., appeal no. 2016-2520, slip op. at p. 9 (Fed. Cir. Jan. 10, 2018); See, Alice Corp. Prop. Ltd. v. CLS Bank Int'l, 134 C. St. 2347, 2355 (2014).

[ii] See Eslinger, "Breaking: Fed. Cir. Ruling Prompts Mistrial in Symantec Unit IP Case," Jan. 10, 2018 (available at www.law360.com).

[iii] See Finjan, appeal no. 2016-2520, slip op. at p. 6.

[iv] See Id., slip op. at pp. 6-7.

[v] See Id., slip op. at 7.

[vi] See Id., slip op. at 8.

[vii] Enfish, LLC v. Microsoft Corp., 822 F.3d 1327 (Fed. Cir. 2016).

[viii] See Finjan, slip op. at pp. 8-9 (contrasting Apple, Inc. v. Ameranth, Inc., 842 F.3d 1229 (Fed. Cir. 2016); Affinity Labs of Tex., LLC v. DIRECTV, LLC, 838 F.3d 1253 (Fed. Cir. 2016); Intellectual Ventures I LLC v. Symantec Corp., 838 F.3d 1307 (Fed. Cir. 2016)).

[ix] See Finjan, slip op. at p. 9.

[x] See Finjan, slip op. at p. 9.

[xi] While it should not have any effect on this patent-eligibility holding, we note that on remand from the Federal Circuit's Finjan decision, the U.S. District Court for the Northern District of California ruled a mistrial and ordered a new jury trial of the '844 patent to start on Feb. 12, 2018, but only on the issue of the alleged new infringement by Blue Coat. See Finjan Inc. v. Blue Coat Systems Inc., case nos. 5:15-cv-03295 and 5:13-cv-03999, both in the U.S. District Court for the Northern District of California.

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