

## Yet another Implementation of *Alice*: Side-Stepping Step One

### Related Services

Intellectual Property

Patents

**CLIENT ALERT** | 10.7.2021

In a precedential decision, three Federal Circuit Judges O'Malley, Stoll, and Reyna agreed that U.S. Patent No. [9,246,903](#) claims patent eligible subject matter, but there was disagreement on how to arrive at that decision.

Briefly, the '903 patent describes a two-step authentication method that may be used when logging into a website. The claimed two-step authentication method includes specific features for implementing the invention including multiple communication channels, a mobile device having an authentication function, and user activation steps for said authentication function. At the District Court level, the court reasoned that at *Alice* step one the '903 claims are "directed to the abstract idea of verifying identity to permit access to transactions" and at *Alice* step two the '903 patent "merely teaches generic computer functionality to perform the abstract concept of authentication."

The Federal Circuit disagreed and held the '903 patent claims as patent eligible, but the analysis by the justices varied.

Judges O'Malley and Stoll accepted the lower court's analysis of *Alice* step one and, therefore, moved directly on to *Alice* step two. Under *Alice* step two, the Court looked to the specification for the description of the specific improvement and to the claims for limitations that correspond to said improvement stating that the "claims and specification recite a specific improvement to authentication that increases security, prevents unauthorized access by a third party, is easily implemented, and can advantageously be carried out with mobile devices of low complexity."

The opinion goes on to note that the district court erred in its interpretation of the '903 specification's characterization of the prior art and that the district court's cited passages, when read in context, "makes clear that the claimed steps were developed by the inventors, are not admitted prior art, and yield certain advantages over the described prior art." Ultimately, the majority opinion concluded that the claims satisfy *Alice* step two and were patent eligible.

Judge Reyna provided a concurring opinion but with a different analysis of the '903 claims. He concluded that the claims at issue are directed to patent eligible subject matter under *Alice* step one. In his *Alice* step one analysis, Judge Reyna reiterated the *McRO* decision citing “[T]he first step in the *Alice* inquiry in this case asks whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.’ ... ‘It is the incorporation of the claimed rules, not the use of the computer, that improved the existing technological process....”

Then, using the same evidence cited above in the majority opinion’s *Alice* step two analysis, Judge Reyna concluded that the claims are patent eligible under *Alice* step one. In his view, the majority at the least conflated *Alice* steps one and two and at the worst skipped *Alice* step one and jumped straight to step two, which he states “turns the *Alice* inquiry on its head.” The majority opinion does cite *Amdocs*, 841 F.3d at 1303 as precedence for adopting the lower court’s *Alice* step one analysis and proceeding directly to step two. However, Judge Reyna explains that the majority opinion’s *Alice* step two analysis is actually more in line with the *Alice* step one *directed to* analysis than with a step two *transformative additional elements* analysis.

For the full opinions, see *CosmoKey Solutions GmbH & Co. v. Duo Security LLC*, case number [20-2043](#), in the U.S. Court of Appeals for the Federal Circuit.

### Practice Note

The different analyses in the majority and concurring opinions further highlight the disparity in applying the *Alice* test to determine if claims meet the subject matter eligibility requirements. However, both analyses similarly rely heavily on the specification clearly outlining the improvement to the specific technology/application and the claims including specific limitations that make said improvement possible. This approach to an *Alice* analysis has been seen in a multitude of other decisions.

Accordingly, patent applications for innovations that might run into subject matter eligibility hurdles during examination (and later litigation) should be drafted with sufficiently detailed specifications and with claims having specific limitations directly tied to an improvement for the specific technology/application.