

TLI COMMUNICATIONS LLC v. AV AUTOMOTIVE, L.L.C., Appeal Nos. 2015-1372, -1376-1379, -1382-1385, -1417, -1419, -1421 (Fed. Cir. May 17, 2016). Before Dyk, Schall and Hughes. Appealed from E.D. Va. (Judge Ellis).

Background:

TLI brought suit against the defendants alleging patent infringement based on the defendants' products and services which uploaded digital photos from a mobile device. The representative independent claim of the patent at issue is directed to recording and storing digital images in a telephone, transmitting the digital images together with classification information to a server, and storing the digital images in the server while "taking into consideration" the classification information.

At trial, the defendants filed a motion to dismiss for failure to state a claim, arguing that the patent is invalid for being drawn to patent-ineligible subject matter. The district court agreed and granted the motion. TLI appealed.

Issue/Holding:

Did the district court err in finding that the claims are directed to patent-ineligible subject matter? No, affirmed.

Discussion:

The Federal Circuit reviewed the district court's determination in light of the two-part *Alice* test. Under Step 1, the Federal Circuit found that the claims are directed to the abstract idea of classifying and storing digital images in an organized manner. Although the claims recite structure such as the "telephone unit" and the "server," the claims and the specification confirm that these physical components merely provide the generic environment for executing the abstract idea. The Federal Circuit distinguished the claims in *Enfish*, which are directed to an improvement in the function of the computer itself, from the claims at issue in which generic hardware is invoked merely as a tool to carry out well-known practices. Emphasizing that the specification describes the hardware in predominantly functional terms, the Federal Circuit held that the claims when viewed in light of the specification are not directed to an improved "telephone unit" or an improved "server," but rather are simply implementing the claimed abstract idea on these generic components.

Moving to Step 2, the Federal Circuit found that the claimed functions executed using the generic hardware are routine activities well-known in the industry. As such, the Federal Circuit held that the claims fail to recite additional elements which would transform the abstract idea of classifying and storing digital images in an organized manner into a patent-eligible application of that idea. Thus, under the *Alice* test, the Federal Circuit affirmed the district court's determination that the patent is directed to patent-ineligible subject matter.