

VOTER VERIFIED, INC., v. ELECTION SYSTEMS & SOFTWARE LLC, Appeal No. 2017-1930 (Fed. Cir. April 20, 2018). Before Newman, Lourie and Reyna. Appealed from N.D. Fla.

Background:

In 2009, Voter Verified sued Election Systems for infringement of the '449 patent, which discloses computer-implemented methods of "voting and checking the accuracy of a paper election ballot." In this first litigation, the court determined that the claims were not infringed, but were also not invalid under §101 (because Election Systems failed to present any arguments or evidence regarding invalidity of the claims). The Federal Circuit upheld these determinations on appeal.

In 2016, Voter Verified again sued Election Systems for infringement of the '449 patent. Election Systems filed a motion to dismiss under Rule 12(b)(6) arguing that the claims of the '449 patent are invalid under §101. In response, Voter Verified argued that issue preclusion, or collateral estoppel, precludes Election Systems from relitigating the §101 issue, which it argued had already been decided in the prior litigation. Election Systems countered that issue preclusion should not apply because there was an intervening change in the law, and, in the alternative, that two of the four required elements of issue preclusion were not present.

The district court granted Election Systems's motion to dismiss, concluding that the "two-step analysis" recited in *Alice* constituted a "substantial change" in the law such that the issue of patent validity is not precluded from further litigation. Under the two-step §101 framework, the court then determined that the patent was based on the abstract idea of "vote collection and verification," and was made up of "generic computer components performing generic computer functions," which were insufficient to transform the abstract idea into patent-eligible subject matter. As a result, the court held that the claims of the '449 patent were directed to patent-ineligible subject matter and thus invalid under §101. Voter Verified appealed.

Issues/Holdings:

Did the district court err in finding that *Alice* constituted an intervening change in the law? Did the district court err in finding the claims invalid under §101? Yes and No, affirmed.

Discussion:

The Federal Circuit first determined whether the §101 judgment from the prior litigation lacks preclusive effect in this case because *Alice* was an intervening change in the law. Because *Alice* applied the same two-step framework created in *Mayo*, which was not intervening, the Federal Circuit held that there was not an intervening change in the law. *Mayo* was decided while the first appeal was still pending. Accordingly, the intervening change in the law exception did not preclude application of issue preclusion.

Next, the Federal Circuit, in applying the Eleventh Circuit's issue preclusion test, agreed with Election Systems that the §101 issue was not "actually litigated" and it was not "a critical and necessary part of the judgment" in the first litigation. Thus, because the §101 issue was not critical or necessary to the final judgment, the Federal Circuit held that issue preclusion does not apply. For these reasons, the Federal Circuit affirmed the §101 rejection based on the merits.