McRO, Inc. v. Bandai Namco Games Am., Inc., et al.

837 F.3d 1299 (Fed.Cir. 2016)

ISMAH AHMAD*

BACKGROUND

Respondents, Bandai Namco Games Am., Inc., et al. are mostly video game developers and gaming companies. Plaintiff-Appellant McRO, Inc. ("McRO") are patent owners for inventions that automate pre-existing, three-dimensional ("3D") animation to show different facial expressions animated characters make during speech. This patent dispute surrounds U.S. Patent No. 6,611,278 ("the '278 Patent") which is a continuation application of U.S. Patent No. 6,307,576 ("the '576 Patent"), collectively titled the "Method for Automatically Animating Lip Synchronization and Facial Expression of Animated Characters."[1]

Before this invention, animators manually matched lip synchronization with animation of the character using a computer program. Whereas, these new inventions automatically create realistic lip synchronizations and facial expressions of animated characters through a set of rules to produce more life-like speech in animated characters.

The district court concluded that the claims were not patentable because significant portions of the new model were too broad. The district court generally stated that the claims were tangible, attempting to automate the 3D computer animation system. The district court examined whether the central part of the patent satisfied 35 U.S.C. § 101 ("Patent Act")[2] given the "(1) the prior art, and (2) the fact that the claims do not require any particular rules."[3] The court found that the claims were broadly preemptive because they were not limited to certain rules and called for an abstract idea in the application of using rules.

---

* Ms. Ahmad is a 2019 J.D. candidate at the University of San Francisco School of Law.

1. McRO, Inc. v. Bandai Namco Games Am., Inc., 837 F.3d 1299 (Fed.Cir. 2016).

2. Patent Act, 35 U.S.C. § 101 (2012) ("Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.").

3. McRO, Inc. v. Sony Computer Entm't Am., LLC, 55 F. Supp. 3d 1214, 1226 (C.D. Cal. 2014).

PROCEDURAL HISTORY

In 2012 and 2013, McRO filed multiple lawsuits in the United States District Court for Central District of California and District of Delaware against Respondents, Electronic Arts Inc., et al. On January 15, 2014, eight of the thirteen lawsuits filed in Delaware were transferred to the Central District of California, while the remaining five are pending on the appeal.

On July 10, 2014, Respondents filed a motion for judgment on pleadings stating that the claims in the lawsuits for the '576 patent and '278 patent were ineligible subject matter under the Patent Act. The motion was granted on September 22, 2014 finding the claims unpatentable. On October 31, 2014, judgment was entered against McRO, and the plaintiff appealed.

ISSUE

The United States Court of Appeals for the Federal Circuit addressed whether the '576 patent and '278 patent are eligible subject matter under the Patent Act.

DECISION

The United States Court of Appeals reversed the lower courts' rulings finding that the asserted claims of the '576 patent and '278 patent are eligible subject matter; therefore patentable under the Patent Act because the claims are not directed to an abstract idea, but a technological improvement from a previous animation technique.

REASONING

The court uses the two-step framework discussed in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*[4] to analyze whether the '576 and '278 claims are patent eligible. The first step determines whether the claim is a judicial exception, such as an abstract idea. If the claim satisfies the first step, then the second step determines whether a new and inventive concept is eligible for a patent.

To determine whether the patents contained eligible subject matter, the court reviewed two Supreme Court cases: *Parker v. Flook*[5] and *Diamond v. Diehr*.[6]

McRO argued that *Diehr* should control the outcome of this case because the claims are not abstract ideas; creating a video of a 3D animated character speaking a recorded audio is a tangible product. Plaintiff further argued that if the claims were abstract ideas, then they

4. 134 S. Ct. 1537 (2014).
5. 437 U.S. 584 (1978).
6. 450 U.S. 175 (1981).

were still patent eligible because they improved the pre-existing technological process by increasing efficiency and accuracy.

Respondents argued that *Flook* should control the outcome because the claims take a pre-existing process and speed it up by using computer automation, instead of creating anything tangible. Therefore, these claims are unpatentable algorithms since they are a formation of rule applied to the pre-existing program. Respondents further asserted that should they fail under *Flook*, McRO's claims under *Diehr* were abstract and did not claim particular rules, but a wide array of rules that the animator provided.

The court ultimately agreed with McRO. Abstract ideas are not patentable under the Patent Act, but a patent eligible subject matter is "any new useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."[7] The court assumed there is patent eligible subject matter where the invention applies the laws of an abstract idea, and therefore it is not simply an algorithm.

To satisfy the second step, the court looked at the claim, as a whole, as well as the individual claim elements, to determine if the elements were sufficient for a patent to overcome the abstract concept hurdle. In *Flook*, the court found that a specific equation that creates a new method to calculate limit values is not eligible for a patent. The formula itself was the abstract idea. In *Diehr*, the claims were patentable because their overall results improved the pre-existing technological process.

On appeal, the court disagreed with the lower courts' ruling against the plaintiff, stating that when considering the patentability of the claims, one must look to the claims as a combination of rules without ignoring the requirements for individual steps. By looking at the features one can see that the invention calls for an overall improvement in the old 3D animation process, which had a manual technical process, rather than an automatic one. Here, the improvements allowed the computer to create a more accurate and realistic facial expression with lip synchronization in animated characters.

The court stated, however, a patent can be issued for the method that is outlined in a claim to produce a certain result, or create a certain effect, and not for the overall result or effect created. Therefore, the court looked at the claims to determine if a specific method enhanced and improved the pre-existing technology, or were the claims a result or effect that was in fact an abstract idea. Here, Claim 1 of the '576 patent focused on the improvement of the process of creating animated characters and their lip synchronization through computer programing. It was the automation, not manual production or use of the rules, that

7. 35 U.S.C. § 101 (2012).

allowed for efficient computer processing in a specific way. The computer itself was programed to perform a specific task and automate a process that was previously conducted by animators.

This patent allowed for a specific result to be produced through an automated computer process by the combination of specific rules and information that were created through a certain format. Here, the creation was animated characters, synchronized with their speech that may not be tangible results. The court emphasized patents do not generally require an end result to be connected with a machine to be patentable. Therefore, the plaintiff proved that its patent provided another method or alternative process to automate the lip synchronization with an animated character's facial expression. Claim 1 of the '576 patent was not an abstract idea, but a patentable technological improvement from the previous manual 3D animation process used to create animated characters. Similarly, the '278 patent was a construction of the '576 patent and shared the same written description.