United States Court of Appeals for the Federal Circuit

UNIVERSAL SECURE REGISTRY LLC,
Plaintiff-Appellant

v.

APPLE INC., VISA INC., VISA U.S.A. INC.,
Defendants-Appellees

2020-2044

Appeal from the United States District Court for the District of Delaware in No. 1:17-cv-00585-CFC-SRF, Judge Colm F. Connolly.

Decided: August 26, 2021

KATHLEEN M. SULLIVAN, Quinn Emanuel Urquhart & Sullivan, LLP, New York, NY, argued for plaintiff-appellant. Also represented by BRIAN MACK, KEVIN ALEXANDER SMITH, San Francisco, CA; TIGRAN GULEDJIAN, CHRISTOPHER MATHEWS, Los Angeles, CA.

MARK D. SELWYN, Wilmer Cutler Pickering Hale and Dorr LLP, Palo Alto, CA, argued for defendant-appellee Apple Inc. Also represented by LIV LEILA HERRIOT, THOMAS GREGORY SPRANKLING; MONICA GREWAL, Boston, MA.

STEFFEN NATHANAEL JOHNSON, Wilson, Sonsini, Goodrich & Rosati, PC, Washington, DC, argued for defendants-appellees Visa Inc., Visa U.S.A. Inc. Also represented by MATTHEW A. ARGENTI, JAMES C. YOON, Palo Alto, CA.

Before TARANTO, WALLACH,* and STOLL, *Circuit Judges*.

STOLL, *Circuit Judge*.

Universal Secure Registry LLC (USR) appeals the United States District Court for the District of Delaware's dismissal of certain patent infringement allegations against Apple Inc., Visa Inc., and Visa U.S.A. Inc. (collectively, "Apple") under Rule 12(b)(6) of the Federal Rules of Civil Procedure. The district court held all claims of four asserted patents owned by USR ineligible under 35 U.S.C. § 101. Because we conclude that all claims of the asserted patents are directed to an abstract idea and that the claims contain no additional elements that transform them into a patent-eligible application of the abstract idea, we affirm.

BACKGROUND

I

USR sued Apple for allegedly infringing all claims of U.S. Patent Nos. 8,856,539; 8,577,813; 9,100,826; and 9,530,137 (collectively, the "asserted patents"). The '137 patent is a continuation of the '826 patent. Although the patents are otherwise unrelated, they are directed to similar technology—securing electronic payment transactions. As USR explained in its opening brief, its patents "address the need for technology that allows consumers to conveniently make payment-card [e.g., credit card]

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* Circuit Judge Evan J. Wallach assumed senior status on May 31, 2021.

transactions without a magnetic-stripe reader and with a high degree of security." Appellant's Br. 7. "For example, it allows a person to purchase goods without providing credit card information to the merchant, thereby preventing the credit card information from being stolen or used fraudulently." *Id.* at 9.

II

Apple moved to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(6), arguing that the asserted patents claimed patent-ineligible subject matter under 35 U.S.C. § 101. The magistrate judge determined that all the representative claims are directed to a non-abstract idea. *Universal Secure Registry, LLC v. Apple Inc.*, No. 17-cv-00585, 2018 WL 4502062, at *8–11 (D. Del. Sept. 19, 2018). The magistrate judge explained that the '539 patent claims are "not directed to an abstract idea because 'the plain focus of the claims is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.'" *Id.* at *8 (quoting *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1258 (Fed. Cir. 2017)). Of particular importance to the magistrate judge was the conclusion that the claimed invention provided a more secure authentication system. *See id.* at *9.

The district court disagreed, concluding that the representative claims fail at both steps one and two of *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014). *Universal Secure Registry LLC* (*USR*) *v. Apple Inc.*, 469 F. Supp. 3d 231, 236–37 (D. Del. 2020). The district court explained that the claimed invention was directed to the abstract idea of "the secure verification of a person's identity" and that the patents do not disclose an inventive concept—including an improvement in computer functionality—that transforms the abstract idea into a patent-eligible application. *Id.* Accordingly, the district court

granted Apple's motion to dismiss for failure to state a claim under Rule 12(b)(6). *Id.* at 240.

USR appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We apply regional circuit law when reviewing a district court's dismissal for failure to state a claim under Rule 12(b)(6). *XY, LLC v. Trans Ova Genetics, LC*, 968 F.3d 1323, 1329 (Fed. Cir. 2020). The Third Circuit reviews such dismissals de novo, accepting as true all factual allegations in the complaint and viewing those facts in the light most favorable to the non-moving party. *Klotz v. Celentano Stadtmauer & Walentowicz LLP*, 991 F.3d 458, 462 (3d Cir. 2021) (citing *Foglia v. Renal Ventures Mgmt., LLC*, 754 F.3d 153, 154 n.1 (3d Cir. 2014)).

Patent eligibility under § 101 is a question of law based on underlying facts, so we review a district court's ultimate conclusion on patent eligibility de novo. *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1342 (Fed. Cir. 2018). We have held that patent eligibility can be determined at the Rule 12(b)(6) stage "when there are no factual allegations that, taken as true, prevent resolving the eligibility question as a matter of law." *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018).

I

Section 101 defines patent-eligible subject matter as "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. § 101. Long-standing judicial exceptions, however, provide that laws of nature, natural phenomena, and abstract ideas are not eligible for patenting. *ChargePoint, Inc. v. SemaConnect, Inc.*, 920 F.3d 759, 765 (Fed. Cir. 2019) (citing *Alice*, 573 U.S. at 216).

The Supreme Court has articulated a two-step test for examining patent eligibility when a patent claim is alleged to involve one of these three types of subject matter. *See Alice*, 573 U.S. at 217–18. The first step of the *Alice* test requires a court to determine whether the claims at issue are directed to a patent-ineligible concept, such as an abstract idea. *Id.* at 218. "[T]he claims are considered in their entirety to ascertain whether their character as a whole is directed to excluded subject matter." *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Pats. Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). If the claims are directed to a patent-ineligible concept, the second step of the *Alice* test requires a court to "examine the elements of the claim to determine whether it contains an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Alice*, 573 U.S. at 221 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72, 78–79 (2012)). This inventive concept must do more than simply recite "well-understood, routine, conventional activity." *Mayo*, 566 U.S. at 79–80.

In cases involving authentication technology, patent eligibility often turns on whether the claims provide sufficient specificity to constitute an improvement to computer functionality itself. For example, in *Secured Mail Solutions LLC v. Universal Wilde, Inc.*, we held that claims directed to using a marking (e.g., a conventional barcode) affixed to the outside of a mail object to communicate information about the mail object, including claims reciting a method for verifying the authenticity of the mail object, were abstract. 873 F.3d 905, 907, 910–11 (Fed. Cir. 2017). We explained that the claims were not directed to specific details of the barcode or of the equipment for generating and processing the barcode. *See id.* at 910. Nor was there a description of how the barcode was generated, or how that barcode was different from long-standing

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