

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

ALOFT MEDIA, LLC.,

Plaintiff,

vs.

ORACLE CORPORATION, *et al.*,

Defendants.

Case No. 6:09-CV-304-LED (JDL)

JURY TRIAL REQUESTED

**ALOFT'S RESONSE IN OPPOSITION TO THE DEFENDANTS' MOTION FOR
SUMMARY JUDGMENT OF INVALIDITY OF THE CLAIMS-IN-SUIT (Dkt. No. 149)**

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I. INTRODUCTION

The two patents asserted by Aloft in this case include three types of claims: method claims, system claims and article of manufacture claims. Although the asserted patents contain these three claim categories, Aloft has asserted only a subset of the article of manufacture claims in this case. All of the asserted article claims are generally referred to as Beauregard claims¹, which are a class of claims that are specifically directed to computer program product embodied on a tangible computer readable media. For example, claim 14 of the '898 patent recites that it is direct to:

14. A computer program product embodied on a tangible computer readable medium, comprising, comprising [sic]:

The preamble of claim 14 is thereafter followed by several “computer code” elements that describe the functionality of the claimed computer program product. Claim 110 of the '910 patent is drafted in a similar fashion and contains the same “Beauregard” preamble of claim 14:

110. A computer program product embodied on a tangible computer readable medium, comprising:

As the Court is likely aware, article of manufacture claims enjoy solid footing as a class of patentable subject matter under 35 U.S.C. § 101. *See, e.g., In re Nuijten*, 500 F.3d 1346, n. 6 (Fed. Cir. 2007) (Ex. A); MPEP § 2106.01 (Ex. B). Rather than confront this body of law directly, the defendants² instead (and without explanation) sidestep this entire legal issue and blindly treat the asserted article of manufacture claims as though they are method claims. As

¹ The term Beauregard claim stems from *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995). In *Beauregard*, the Patent Office ultimately agreed that computer program product claims are patentable subject matter under § 101 when they are embodied in a tangible storage medium. *See id.* at 1584.

² The remaining defendants are Halliburton Energy Services, Inc. and Fair Isaac Corporation (FICO). Aloft and FICO have reached an agreement in principle to resolve the disputes between them, as indicated in the letter to the Court dated December 7, 2010.

such, the relief requested in defendants' motion is not only erroneous, but predicated on a faulty and misguided analysis.

In an effort to avoid the prevailing law on article of manufacture claims, the defendants have chosen instead to base their motion on activities that occurred during prosecution of the patents-in-suit. But the prosecution excerpts cited by the defendants are actually directed to the patentability of the patents' method claims, which are not at issue in this case.³ The defendants' repeated attempts to summarily recast the asserted article of manufacture claims as method claims are improper, and fatally undermines their motion. As such, Aloft respectfully asks the Court to recommend that the defendants' motion for summary judgment (Dkt. No. 149) be denied.

II. ALOFT'S RESPONSE TO THE DEFENDANTS' STATEMENT OF THE ISSUES

The defendants' statement of the issues, as well as their motion, fails to recognize that they must prove the invalidity of the asserted claims by clear and convincing evidence. *See LML Patent Corp. v. JPMorgan Chase & Co.*, No 2:08-CV-448, slip op. at 6 (E.D. Tex. Sept. 20, 2010) (Ex. C).

III. ALOFT'S RESPONSE TO THE DEFENDANTS' STATEMENT OF FACTS

1. Agreed.
2. Agreed.
3. Agreed.

³ Although not at issue in the present suit, the method claims of the '898 and '910 patents are plainly within the purview of 35 U.S.C. § 101, as patentable processes. Furthermore, the method claims of the '898 and '910 patent are well-outside the exceptions to patentable subject matter articulated by the Supreme Court - "laws of nature, physical phenomena, and abstract ideas." *See e.g., Research Corp. Techs. v. Microsoft Corp.*, 2010 U.S. App. 24984 (Fed. Cir. Dec. 8, 2010) (finding the asserted method claims patentable subject matter because they did not disclose an abstract idea).

4. Aloft agrees with the defendants' listing of claims, but notes that claims 138 and 367 of the '910 patent, as well as claims 46 and 62 of the '898 patent are no longer at issue in this motion because of the pending settlement between Aloft and FICO.

5. Aloft agrees that claim 14 of the '898 patent and claim 110 of the '910 patent are the only two asserted independent claims in this case. Aloft disagrees, however, with the punctuation and presentment of these two claims by the defendants. For example, the defendants have improperly used a semi-colon instead of a comma after the phrase "computer code capable of performing logic related to decision-making" when presenting claim 110 of the '910 patent. Moreover, the defendants have improperly attempted to isolate sections of the claims, i.e. the sections reciting the applications, from the claim language as it occurs in the patent claims. As one example, the defendants focus on the limitation of the independent claims that disclose particular applications, without concern for its positioning or meaning in the claim as a whole.

6. Aloft agrees that all original claims in the applications leading to the '898 and '910 patents were rejected by the Examiner under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Aloft objects, however, to the defendants' attempt to apply the Examiner's rationale for his rejection of the original method claims under § 101 to the original article of manufacture and system claims. Given that these three types of claims (method, article of manufacture, and machine) are directed to different statutory classes of patentable subject matter, the Examiner's rationale for his § 101 rejection of method claims are not applicable to the article of manufacture (i.e., Beauregard-type claims) presently before the Court. Moreover, Aloft also objects to the defendants' attempt to apply the Examiner's § 101 rejections to the

claims asserted in this case, none of which were ever rejected by the Examiner during prosecution.⁴

7. Aloft objects to the defendants' attempt to apply the Examiner's rationale for his rejection of the original method claims under § 101 to the original article of manufacture and system claims of the '898 and '910 patents. Specifically, Aloft objects to the defendants' attempt to base the patentability of the original article of manufacture claims on the presence of a specific application within the claim. When considering the prosecution history of the asserted patents in view of the prevailing law, it is more appropriate to view the Examiner's rejection of the article of manufacture claims for being impermissibly drawn to a transitory (or non-tangible) memory. *See, e.g.*, '898 Patent Rejection (Ex. F) at 6 (rejecting the article of manufacture claims because they "are not embodied on an appropriate computer-readable storage medium").

8. Denied. In response to the office actions at issue, the patent applicant expressly informed the Examiner that it disagreed with the propriety of his rejection of the original claims under § 101. *See* '898 Patent Amendment A (Ex. D) at 12 ("Applicant respectfully disagrees with such rejection."); *See* '910 Patent Amendment A (Ex. E) at 40 ("Applicant respectfully disagrees with such rejection."). As such, contrary to the defendants' assertion, the applicant's patentability argument did *not* rely "*solely* on the addition of the application specific limitations." *See* Defendants' Motion (Dkt. No. 149) at 4 (emphasis added). Moreover, the applicant drafted the two independent claims at issue in this case to require the claimed computer code to be embodied on a "tangible" computer readable medium. As such, these claims are

⁴ With respect to the '898 patent, the Examiner's § 101 rejection was directed to issued claims 1 – 13. Aloft has not asserted any of these claims in this case. *See* '898 Patent Amendment A (Ex. D) at 2-4. With respect to the '910 patent, the Examiner's § 101 rejection was directed to issued claims that were ultimately cancelled by the patent applicants. As such, these claims never issued as part of the '910 patent. *See* '910 Patent Amendment A (Ex. E) at 2.

considered to be patentable subject matter under § 101 in accordance with the prevailing law on articles of manufacture. *See, e.g.*, MPEP § 2106.01 (Ex B).

9. Aloft admits that the claims were allowed as drafted in the Amendments submitted on October 20, 2008, and March 9, 2009 (as twice supplemented), but denies that the application-specific claim limitations bear on the patentability of the article of manufacture claims under 35 U.S.C. § 101.

10. Denied. Contrary to the defendants' assertions, the asserted claims are *not* directed to "manipulating and calculating data." Rather, all of the asserted claims are directed to a computer program product that is stored in a physical computer memory.

IV. APPLICABLE LEGAL STANDARD

A. Summary Judgment Standard

Summary judgment shall be rendered only when the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. *See* FED. R. CIV. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 323-25 (1986); *Ragas v. Tenn. Gas Pipeline Co.*, 136 F.3d 455, 458 (5th Cir. 1998). On summary judgment, the evidence must be viewed in the light most favorable to the party opposing the motion. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) ("evidence of nonmovant is to be believed and all reasonable inferences are to be drawn in his favor"). An issued patent enjoys a presumption of validity under 35 U.S.C. § 282 that can be overcome only by clear and convincing evidence. *See U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1563 (Fed. Cir. 1997). Accordingly, a party "seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of invalidity." *See Eli Lilly & Co. v. Barr Labs., Inc.*, 251

F.3d 955, 962 (Fed. Cir. 2001); *see also* *See LML Patent Corp. v. JPMorgan Chase & Co.*, No 2:08-CV-448, slip op. at 6 (E.D. Tex. Sept. 20, 2010) (Ex. C).

B. Overview of Relevant Authority

The first step in a patentability analysis under § 101 is to determine which category of subject matter (process, machine, manufacture or composition of matter) that the claim at issue falls within. *See Research*, 2010 U.S. App. 24984, *17-18 (Fed. Cir. Dec. 8, 2010) (attached as Ex. G); *In Re Nuijten*, 500 F.3d 1346, 1354 (Fed. Cir. 2007); *Chamberlin Group, Inc. v. Johnson Controls Interiors, LLC*, 2010 U.S. Dist. Lexis 124566, at *73-74 (N.D. Ill. 2010). This determination is important because the § 101 analysis varies depending on the category of claimed subject matter. *See Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *75-76 (declining to apply the machine or transformation test to a claim directed to a machine).

After determining the class of patentable subject matter, the next step is to determine whether the claim as a whole triggers an exception to the general rule that “‘any’ subject matter in the four independent categories [process, machine, manufacture and composition of matter] and ‘any’ improvement in that subject matter qualif[ies] for [patent] protection” under § 101.⁵ *See Research*, 2010 U.S. App. LEXIS 24984 at *17-18; *Nuijten* at 1354; *Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *72-85; *Bilski v. Kappos*, 130 S. Ct. 3218, 3221-22 (2010). “The Supreme Court has articulated only three exceptions to the Patent Act’s broad patent-eligibility principles: ‘laws of nature, physical phenomena, and abstract ideas.’” *See Research*, 2010 U.S. App. LEXIS 24984 at *4 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)). Specifically, then, if a claim *as a whole* is directed to any of these three exceptions, then the claim is unpatentable

⁵ As discussed in *Nuijten*, the determination of the class of patentable subject matter can occur contemporaneously with the § 101 exception analysis. This is often the case for new types of invention, where the subject matter of the invention does not neatly fit into one of the four statutory classes of subject matter (machine, process, article of manufacture and composition of matter). *See, e.g., Nuijten*, 500 F.3d 1352-57.

under § 101. *See, e.g., Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *80. In this regard, the Supreme Court has advised that it is inappropriate to dissect claims into old and new elements and then to ignore the presence of old elements in the analysis:

In determining the eligibility of respondents' claimed process for patent protection under section 101, their claims must be considered as a whole. It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of old elements in the analysis. This is particularly true in a process claim because a new combination of steps may be patentable even though all the constituents of the combination were well known and in common use before the combination was made.

See Research, 2010 U.S. App. LEXIS 24984 at *19 (quoting *Diamond v. Diehr*, 450 U.S. 175 (1981)).

In view of the prevailing § 101 case law, it appears that the exceptions to patentable subject matter are most often encountered in process or method claims. For example, the claims at issue in the Supreme Court's recent *Bilski* decision were directed to a business method. *See Bilski*, 130 S. Ct. at 3223.⁶ When analyzing process or method claims, the Supreme Court has held that the machine or transformation test can provide an important clue to the patentability of the claim under § 101. *See id* at 3227. In doing so, the Supreme Court cautioned that the machine or transformation test is not the sole test for deciding whether an invention is a patent-eligible process. *See Id.*

Although similar in some respects, the § 101 analysis of an article of manufacture is different in one material respect. Specifically, the machine or transformation test is not applicable to an article of manufacture because an article of manufacture is directed to a physical

⁶ *See, e.g., Ultramercial, LLC v. Hulu, LLC*, 2010 U.S. Dist. LEXIS 93453 (C.D. Cal. 2010) (directed to a "process of displaying advertisement in exchange for access to copyrighted media"); *Fuzzyssharp Tech., Inc. v. 3D Labs Inc., Ltd.*, 2009 U.S. Dist. LEXIS 115493 (N.D. Cal. Dec. 11, 2009) (directed to a "method for performing visibility calculations"); *Ex parte Proudler*, No. 2009-006599 (B.P.A.I. July 8, 2010) (directed to a "method of controlling processing of data"); *Ex parte Birger*, No. 2009-006556 (B.P.A.I. Jul 13, 2010) (directed to a "method for communicating between two endpoints").

or tangible commodity. *See Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *75-76; *Nuijten*, 500 F.3d at 1356. As such, then, the § 101 patentability of an article of manufacture hinges on whether the claimed commodity is prepared by man (or machine) from raw or prepared materials and whether the commodity occupies a tangible or physical form. *See Nuijten* at 1356.

The claims at issue in this case are software claims, and are therefore directed to computer code that is stored in a tangible computer readable medium. *See, e.g.*, ‘898 Patent, cl. 14; ‘910 Patent, cl. 110. Given the recent surge in the electrical and computer arts, software claims have become quite commonplace in patent law.⁷ In view of the frequency of Beauregard-type computer software claims, the Patent Office has undertaken its own patentability analysis of these claims, and has expressly concluded that software claims are patentable under § 101, so long as the claim requires the computer code to be stored in a tangible computer memory. *See* MPEP § 2106.01 (Ex. B). In view of this determination, the Patent Office considers software claims properly within the purview of § 101, and directs its Examiners to allow such claims, subject to meeting the other conditions and requirements of Title 35. *See id.*

V. ARGUMENT

The defendants’ motion is undermined by their failure to recognize the proper statutory class of the asserted claims. Instead of addressing the § 101 patentability of the asserted claims as articles of manufacture, the defendants instead evaluate § 101 patentability as if the asserted claims are directed to methods or processes. This is a fatal mistake by the defendants because the § 101 analysis for an article of manufacture claim is different from the § 101 analysis of a claimed method. *See Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *75-76 (declining to apply the machine or transformation test to a claim directed to a machine). In fact, article of

⁷ *See, e.g.*, FICO’s U.S. Patent No. 7,188,169 (claiming, “[a] computer readable storage medium having computer-executable instructions”) (attached as Ex. H); Halliburton’s U.S. Patent No. 7,830,161 (claiming, “[a] computer program stored in a tangible medium”) (attached as Ex. I).

manufacture claims of the type at issue here are so commonplace in patent law that the Patent Office considers them patentable subject matter on their face. *See* MPEP § 2106.01 (“[A] claimed computer-readable medium encoded with a computer program . . . permit[s] the computer program’s functionality to be realized, and is thus statutory.”). The Patent Office’s treatment of computer program claims as product claims is fatal to defendants’ motion, and is likely the driving force behind the defendants’ attempt to recast the asserted claims as methods. This sleight of hand renders defendants’ § 101 invalidity arguments inapplicable.

C. The Patent Office considers computer program product claims to be patentable under § 101 when the claim requires the storage of the computer code in a physical computer memory.

In accordance with Patent Office policy, a computer program is patentable under § 101 when the claim requires the program to be stored (or embodied) in a tangible computer memory. Claims of this type are widely used by patent practitioners and have come to be called Beauregard claims. The Patent Office considers Beauregard claims as directed to articles of manufacture because the computer program is stored in a physical memory device. *See, e.g.,* MPEP § 2106.01 (Ex. B). As such, the physical memory (in combination with the code) serves as an element that “defines structural and functional interrelationships between the computer program and the rest of the computer.” *See id.* The memory (storing the computer program), therefore allows the “functionality” of the computer program to be realized. *See id.* In view of its Beauregard claim policy, the Patent Office directs its Examiners to treat computer software claims as product (i.e., manufacture) claims, thus within the purview of § 101, when the computer program is “recited in conjunction with a physical structure, such as a computer memory. *See id.*

In this case, each asserted claim is directed to a computer program product that is embodied (or stored) on a tangible computer memory. *See* ‘898 Patent, cl. 14; ‘910 Patent, cl. 110. In accordance with Patent Office policy, then, these claims are considered patentable under § 101. Although the defendants spend a great deal of time discussing the prosecution history of the asserted patents, they fail to inform the Court of the most salient claim amendment at hand—the amendment that required the claimed storage medium to be tangible. *See* ‘898 Patent Amendment A (Ex. D) at 5 (note that original claim 16 issued as final claim 14); ‘910 Patent Amendment A (Ex. E) at 14 (note that original claim 125 issued as final claim 110). Prior to the Examiner’s § 101 rejection, the original computer program product claims did not require the computer code to be stored in tangible memory. *See* ‘898 Patent Original Claims (Ex. J), cl. 14; ‘910 Patent Original Claims (Ex. K), cl. 14. In response to this rejection, the applicant added several new computer program product claims, each requiring the computer code to be stored in a tangible computer memory. *See* ‘898 Patent Amendment A (Ex. D) at 4-11 (adding claims 14 & 16-66); ‘910 Patent Amendment A (Ex. E) at 2-27 (adding claims 16-233). A subset of these claims is asserted in this case, and is the subject of defendants’ motion.

In accordance with Patent Office policy, the inclusion of the requirement that the claimed computer programs be embodied on a physical memory was sufficient to traverse the § 101 rejection, and the defendants have failed to prove otherwise.

D. The Federal Circuit has recognized that inclusion of a tangible storage medium places a claim into the statutory category of “manufacture” and outside the gambit of a § 101 rejection .

In a recent case that the defendants fail to address, the Federal Circuit recognized the § 101 patentability of a storage medium as an article of manufacture, because the medium served

to fixate or capture an otherwise transient or volatile electronic signal. *See In re Nuijten*, 500 F.3d at 1356-57, n. 6.

Turning to the details of the case, *Nuijten* involved a patent applicant's appeal of a § 101 patentability rejection by the Board of Patent Appeals ("Board") to the Federal Circuit. In his application, Nuijten had included several claims, all of which were generally directed to electrical signals containing embedded data. Some of Nuijten's claims (such as claim 14) were directed to the signal itself, claiming a "signal with embedded supplemental data." *See id.* Other claims, such as claim 15, were directed to a memory and more specifically claimed a "storage medium having stored thereon a signal with embedded supplemental data." *See id.* Although the Board ultimately found the storage medium claims (claim 15) patentable under § 101, it ultimately rejected the signal claims (claim 14) under § 101 because the signal to which the claims were directed did not have any physical attributes. Instead, the Board determined that the signal was actually directed to an abstract idea. *See id.* at 1351-52; *see also Ex parte Nuijten*, 2006 Pat. App. LEXIS 50, *17 (B.P.A.I. Jan. 24, 2006) (finding that claim 15 discloses patentable subject matter) (attached as Ex. L).

When affirming the Board's rejection of claim 14, the Federal Circuit first evaluated the attributes of the claimed signal to determine which class of statutory subject matter was at issue. *See id.* at 1353-54. As part of this analysis, the Circuit evaluated whether the claimed signal constituted an article of manufacture. *See id.* at 1356. This analysis is directly applicable to the matter at hand. For example, the Federal Circuit recognized that articles of manufacture are "man made, in the sense of having been encoded, generated, and transmitted by artificial means." *See id.* at 1356. The Federal Circuit also recognized that "artificiality," in itself, is insufficient to render a "manufacture." *Id.* Instead, a "manufacture" must be produced for use "from raw or

prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.” *See id.* at 1356 (internal quotations and citations omitted). In other words, the Circuit recognized that a “manufacture” must be tangible.

In view of the above, the Federal Circuit then evaluated whether the claimed electrical signal exhibited the attributes of an article of manufacture. *See id.* at 1356-57. Even though, the signal was man-made (and therefore artificial), the Circuit ultimately concluded that the signal was not a manufacture because it was not tangible. *Id.* When making this conclusion, the panel expressly contrasted the signal with the storage medium claims (e.g. claim 15), which were found patentable under § 101 by the Board. *Id.* In this regard, the Circuit commented that the electrical signal would be patentable had claim 14 require its storage “for later use.” *See id.* at n.6. The Circuit went on to say, that such a patentable “storage medium would likely be covered by allowed Claim 15 of Nuijten’s application.” *See id.* at n.6 (“Of course, such as signal could be stored for later use, but the result of such storage would be a “storage medium” containing the signal. Such a storage medium would likely be covered by allowed Claim 15 of Nuijten’s application, which is not before us on appeal.”).

In this regard, *Nuijten* supports the Patent Office’s determination that computer program products are patentable under § 101, provided that they are stored in a tangible memory. For example, the computer program product is an “article” because it is a medium that is made by man, such as by directing a machine to encode a memory with bits of information or data. Moreover, the medium serves as a “manufacture” because the memory device is tangible. In fact, the asserted claims’ disclosure of tangibility is precisely what makes the asserted claims patentable. *See, e.g., Research*, 2010 U.S. App. LEXIS 24984 at *19 (stating, “[t]he fact that some claims in the ‘310 and ‘228 patent require a ‘high contrast film,’ ‘a film printer,’ ‘a

memory’ and ‘printer and display devices’ also confirms this court’s holding that the invention is not abstract”).⁸

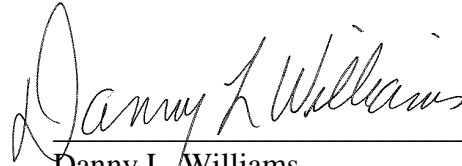
Rather than address the Circuit’s decision in *Nuijten*, the defendants instead ask the Court to invalidate Aloft’s article of manufacture claims based on § 101 jurisprudence that applies to method and process claims. *See, e.g., Chamberlin*, 2010 U.S. Dist. Lexis 124566 at *75-76; *see also LML*, No 2:08-CV-448, slip op. at 15 (indicating that, “Claim 93 is a system claim, not a method claim, so the machine-or-transformation test appears inapplicable.”). Presumably, the defendants view the *Cybersource* decision, which issued from a California district court, as circumscribing the § 101 jurisprudence of the Supreme Court, the Federal Circuit and the Patent Office. *See Cybersource Corp. v. Retail Decisions, Inc.*, 620 F. Supp. 3d 1068, 1078-79 (N.D. Cal. 2009). Although the defendants view *Cybersource* as changing the § 101 landscape, they fail to provide any discussion of the case, including any reasoned analysis for treating article of manufacture claims as a method claims. *See Motion* (Dkt. No. 149) at 6. The defendants failed to discharge the (clear and convincing) burden of proof attendant with their motion, and their motion should therefore be denied.

VI. CONCLUSION

For the above reasons, Aloft respectfully asks the Court to recommend the denial of the defendants’ motion for summary judgment of invalidity (Dkt. No. 149).

⁸ *See also Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 447-450 (2007) (explaining that, “[o]ne can speak of software in the abstract: the instructions themselves detached from any medium. (An analogy: The notes of Beethoven’s Ninth Symphony.) One can alternatively envision a tangible ‘copy’ of software, the instructions encoded on a medium such as a CD-ROM.”). The Microsoft case concerned whether the Windows computer program was a “component[] of a patented invention” under 35 U.S.C. § 271(f).

Respectfully submitted this 9th day of December, 2010.



Danny L. Williams
Texas Bar No. 21518050
danny@wmalaw.com
Christopher N. Cravey
Texas Bar No. 24034398
ccravey@wmalaw.com
Matthew R. Rodgers
Texas Bar No. 24041802
mrodgers@wmalaw.com
Michael A. Benefield
Texas Bar No. 24073408
Indiana Bar No. 24560-49
mbenefield@wmalaw.com
David Morehan
Texas Bar No. 24065790
dmorehan@wmalaw.com
WILLIAMS, MORGAN & AMERSON,
P.C.
10333 Richmond, Suite 1100
Houston, Texas 77042
Telephone: (713) 934-7000
Facsimile: (713) 934-7011

Eric M. Albritton
Texas Bar No. 00790215
ema@emafirm.com
Adam A. Biggs
Texas Bar No. 24051753
aab@emafirm.com
Debra Coleman
Texas Bar No. 24059595
drc@emafirm.com
Matthew C. Harris
Texas Bar No. 24059904
mch@emafirm.com
ALBRITTON LAW FIRM
P.O. Box 2649
Longview, Texas 75606
Telephone: (903) 757-8449
Facsimile: (903) 758-7397

T. John Ward, Jr.
State Bar No. 00794818
jw@jwfirm.com
WARD & SMITH LAW FIRM
P.O. Box 1231
Longview, Texas 75606-1231
Telephone: (903) 757-6400
Facsimile: (903) 757-2323

Attorneys for Aloft Media, LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by facsimile transmission and/or first class mail on December 9, 2010.

/s/ Mark Dunglinson

Litigation Paralegal