United States District Court
For the Northern District of California

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

KLAUSTECH, INC.,

Plaintiff,

v.

ADMOB, INC.,

Defendant.

/

No. C 10-05899 JSW

**ORDER DENYING MOTION FOR JUDGMENT ON THE PLEADINGS**

Now before the Court is the motion for judgment on the pleadings filed by Defendantt AdMob, Inc. ("Defendant"). Having carefully reviewed the parties' papers, relevant legal authority, and the record in this case, the Court hereby DENIES Defendant's motion or judgment on the pleadings.

**BACKGROUND**

Defendant moves for judgment on the pleadings on the basis that the Plaintiff's patent infringement claims must fail as a matter of law because the asserted patent, United States Patent No. 6,128,651 ("the '651 Patent") entitled "Internet Advertising with Controlled and Timed Display of Ad Content from Centralized System Controller" is invalid under 35 U.S.C. section 101 ("Section 101") for lack of patent-eligible subject matter. Plaintiff originally filed this action in February 2010 asserting infringement by Defendant of the '651 Patent issued in October 2000. In April 2013, in response to an attempt by Defendant to invalidate the patent, the United States Patent and Trademark Office confirmed the validity of the '651 Patent by issuing an *Ex Parte* Reexamination Certificate and issuing new and amended claims, including

United States District Court
For the Northern District of California

Claim 20 asserted in this action.

The Court shall address additional facts as necessary in the remainder of this Order.

**ANALYSIS**

**A. Applicable Legal Standards.**

A motion for judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c) challenges the legal sufficiency of the claims asserted in the complaint. A Rule 12(c) motion is "functionally identical" to a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). *Ross v. U.S. Bank Nat'l Ass'n*, 542 F. Supp. 2d 1014, 1023 (N.D. Cal 2008). "For purposes of the motion, the allegations of the non-moving party must be accepted as true . . . Judgment on the pleadings is proper when the moving party clearly establishes on the face of the pleadings that no material issue of fact remains to be resolved and that it is entitled to judgment as a matter of law." *Hal Roach Studios, Inc. v. Richard Feiner and Co., Inc.*, 896 F.2d 1542, 1550 (9th Cir. 1990). However, "[t]he court need not . . . accept as true allegations that contradict matters properly subject to judicial notice . . . ." *Sprewell v. Golden State Warriors*, 266 F. 3d 979, 988 (9th Cir. 2001).

To state a claim for patent infringement, "a patentee need only plead facts sufficient to place the alleged infringer on notice. The requirement ensures that the accused infringer has sufficient knowledge of the facts alleged to enable it to answer the complaint and defend itself." *Phonometrics, Inc. v. Hospitality Franchise System, Inc.*, 203 F.3d 790, 794 (Fed. Cir. 2000).

**B. Patent Eligibility.**

**1. Principles of Patent Eligibility and Abstractness.**

Under Section 101, the scope of patentable subject matter includes "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Notwithstanding the broad scope of Section 101, there are three important and judicially-created exceptions to patentability: "laws of nature, physical phenomena, and abstract ideas." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980); *see also Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. ---, 133 S. Ct. 2107, 2116 (2013). These principles are not patent-eligible because "they are the basic tools of scientific and

United States District Court
For the Northern District of California

1 technological work," which are "free to all men and reserved exclusively to none." *Mayo*
2 *Collaborative Servs. v. Prometheus Labs., Inc.*, --- U.S. ---, 132 S. Ct. 1289, 1293 (2012)
3 (citations omitted). "'[M]onopolization of those tools through the grant of a patent might tend
4 to impede innovation more than it would tend to promote it," thereby thwarting the primary
5 object of the patent laws." *Alice Corp Pty. Ltd. v. CLS Bank Int'l*, --- U.S. ---, 134 S. Ct. 2347,
6 2354 (2014) (citing *Mayo*, 132 S. Ct. at 1293).
7 Not all inventions involving an abstract concept are barred from patentability, however.
8 The Supreme Court recently affirmed the approach set out in *Mayo* as the test for determining
9 the patent eligibility of an invention involving patent-ineligible subject matter. *Id.* at 2355-59.
10 The *Mayo* Court set forth a two-step framework for distinguishing patents that claim laws of
11 nature, natural phenomenon, and abstract ideas from those that claim patent-eligible
12 applications of those concepts. First, courts must determine whether the claims at issue are
13 directed to a patent-ineligible concept, such as an abstract idea. *Mayo*, 132 S. Ct. at 1296-97. If
14 the claims are not directed to an abstract or otherwise patent-ineligible idea, the claims are
15 considered patentable and the inquiry ends. *Id.* If, however, the court finds the claims are in
16 fact directed to ineligible or abstract ideas, the court must consider the elements of each claim
17 both individually and as an ordered combination to determine whether the additional elements
18 transform the nature of the claim into a patent-eligible claim. *See Alice*, 134 S. Ct. at 2355
19 (citing *Mayo*, 132 S. Ct. at 1297, 1298). Step two of the process involves the "search for an
20 'inventive concept' – *i.e.*, an element or combination of elements that is 'sufficient to ensure
21 that the patent in practice amounts to significantly more than a patent upon the [ineligible
22 concept] itself.'" *Id.* (citing *Mayo*, 132 S. Ct. at 1294). Therefore, "application[s]" of an
23 abstract concept "to a new and useful end" remain eligible for patent protection. *Gottschalk v.*
24 *Benson*, 409 U.S. 63, 67 (1972).
25 Although not dispositive of the issue, many courts use the "machine-or-transformation"
26 test as "a useful and important clue" to assess whether some claim is patent-eligible. *Bilski v.*
27 *Kappos*, 561 U.S. 593, 130 S. Ct. 3218, 3226 (2010). Under this test, a "claimed process is
28

1 surely patent-eligible under § 101 if: (1) tied to a particular machine or apparatus; or (2) it
2 transforms a particular article into a different state or thing." *Id.* at 3224.
3 Beyond the machine-or-transformation test, a reviewing court is obligated to "hew
4 closely to established precedents in this area to determine whether an invention falls within one
5 of the exceptions to § 101's broad eligibility." *OIP Technologies, Inc. v. Amazon.com, Inc.*,
6 2012 WL 3985118, at *5 (N.D. Cal. Sept. 11, 2012) (citing *Bilski*, 130 S. Ct. at 3231).
7 "Whether a claim recites patent-eligible subject matter is a question of law." *See id.* (citing
8 *DealerTrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012); *CyberSource Corp. v. Retail*
9 *Decisions, Inc.*, 654 F.3d 1366, 1369 (Fed. Cir. 2011)). Also, after the Supreme Court's
10 decision in *Alice*, "there can remain no doubt: recitation of generic computer limitations does
11 not make an otherwise ineligible claim patent-eligible." *DDR Holding, LLC v. Hotels.com, LP*,
12 773 F.3d 1245, 1256 (Fed. Cir. 2014) (citing *Alice*, 134 S. Ct. at 2358). While claims that
13 "broadly and generally claim 'use of the Internet' to perform an abstract business practice" may
14 not be patentable, claiming an "inventive concept for resolving [a] particular Internet-centric
15 problem, render[s] the claims patent-eligible." *Id.* at 1258, 1259.
16 Section 101 "does not permit a court to reject subject matter categorically because it
17 finds that a claim is not worthy of a patent." *Research Corp. Techs. v. Microsoft Corp.*, 627
18 F.3d 859, 868 (Fed. Cir. 2010). The reason for the exceptions to eligibility rest on the
19 presumption undergirding the patent system, which "represents a carefully crafted bargain that
20 encourages both the creation and the public disclosures of new and useful advances in
21 technology, in return for an exclusive monopoly for a limited period of time." *Highmark, Inc.*
22 *v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1324 (Fed. Cir. 2012) (quoting *Pfaff v. Wells*
23 *Elecs., Inc.*, 525 U.S. 55, 63 (1998)). "A patentee does not uphold his end of this 'bargain' if he
24 seeks broad monopoly rights over a basic concept, fundamental principle, or natural law without
25 a concomitant contribution to the existing body of scientific and technological knowledge." *Id.*
26 There are many courts that have considered Section 101 eligibility at the motion to
27 dismiss stage, prior to conducting a claims construction. *See, e.g., OIP Technologies*, 2012 WL
28 3985118, at *5 (citing other cases). Where, as here, the basic character of the claimed subject

United States District Court
For the Northern District of California

matter is readily ascertainable from the face of the patent, the Court finds that it may determine patentability at the motion to dismiss stage. *See, e.g., Cardpool, Inc. v. Plastic Jungle, Inc.*, 2013 WL 245026, at *4 (N.D. Cal. Jan. 22, 2013). Where a party moves to have an issued patent declared invalid for patent-ineligible subject matter, the moving party must establish this by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242-43 (2010).

**2. Application of Section 101 to '651 Patent.**

The '651 Patent claims the exclusive right to a novel centrally-located, non-scrolling advertisement display frame on an Internet browser. (*See* '651 Patent at 2:22-25; Abstract.) The claimed system provides real time communication between the central controller and the browser to allow advertisements to be displayed for a set minimum amount of time and to enable the browser to track and control the display. (*See id*. at 2:46-49, 3:49-51.) The patent attempts to address the prevailing problem of advertising on the Internet to control the advertising to each web page viewing browser and to monitor accurately the timing of the display, with proof of the advertisement display to the paying advertiser. (*See id.* at 2:46-49, 2:32-35, 3:49-51.) The apparent uniqueness of the invention is that the system allows the non-scrolling advertising frame to appear in the browser, but not to be itself part of the hosting website. (*See id.* at 2:60-67.) In addition, the ad timer enables the advertiser to control, in real time, given advertisements and the length of time they appear on the browser window. (*See id.* at 2:32-49, 3:1-15.)

The Court finds, just as the examiner did upon reexamination, that the Patent addresses a technological improvement specific to Internet-related advertising. The '651 Patent employs a new approach to control and monitor the display of advertisement on Internet browsers and seeks to solve technical problems that do not exist in the conventional advertising realm. The Court finds that, similar to the holding *DDR Holdings*, the "claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising

United States District Court
For the Northern District of California

in the realm of computer networks." 773 F.3d at 1257. In sum, the Court finds that the claims are not directed to an abstract idea. *See Alice*, 134 S. Ct. at 2355. Accordingly, the claimed system is patent-eligible under Section 101.

Furthermore, the Court finds that even if the claimed system were directed at an abstract idea, given the high burden placed on Defendant to establish that the claims are not eligible at the pleading stage, the Court finds that the claims teach an improvement in a technology or technological field. *See Alice*, 134 S. Ct. at 2358, 2359 (holding that because the claimed invention solves "a technological problem in conventional industry practice" and "effect an improvement in [a] . . . technology or technical field," they are patent-eligible under section 101). Although the process is not patent-eligible merely because it is associated with a computer and so tied to a particular machine or apparatus, the claims are sufficient to transform the Internet-related advertising process into an inventive application of an abstract idea and are therefore patent-eligible because they "improved an existing technological process, not because they were implemented on a computer." *Alice*, 134 S. Ct. at 2358 (citations omitted); *see also Gottschalk*, 409 U.S. at 67 (holding that applications of an abstract concept "to a new and useful end" remain eligible for patent protection).

Accordingly, the Court finds that the claimed system is patent-eligible under 35 U.S.C. section 101 and DENIES Defendant's motion for judgment on the pleadings.

**CONCLUSION**

For the foregoing reasons, Defendant's motion for judgment on the pleadings in DENIED.

**IT IS SO ORDERED.**

Dated: August 31, 2015

JEFFREY S. WHITE
UNITED STATES DISTRICT JUDGE