



IDEAS ON INTELLECTUAL PROPERTY LAW



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Antivirus software left vulnerable to patent eligibility challenge

A software patent holder learned the hard way how critical drafting is to surviving patent-eligibility challenges. The U.S. Court of Appeals for the Federal Circuit found the asserted software claims were directed to an “abstract idea” because the claims failed to require many of the technological improvements described in the patents’ specifications — but the patentee may still come out on top.

PATENTEE PREVAILS AT TRIAL

The Trustees of Columbia University hold two patents for antivirus software. Historically, antivirus programs worked by comparing suspicious code against a database of known viruses, thus allowing new viruses to fly under the radar.

Columbia developed a process in which an “emulator” executes part of a program and compares its performance against a “model of function calls” that reflects how the program is typically expected to perform. The goal is to identify whether the emulated program is behaving anomalously.

According to the patent claims, the model of function calls is “a combined model created from at least two models created using different computers.” Columbia sued Gen Digital, which markets Norton software, for patent infringement. Gen Digital sought a pretrial judgment that the asserted claims were patent-ineligible abstract ideas, but the trial court denied the motion. After a trial, a jury found Gen Digital willfully infringed the patents and awarded damages of \$185 million. Gen Digital appealed.

Software-based innovations have been found patent-eligible when they make nonabstract improvements to computer technology.

PATENT CLAIMS RUN INTO THE ALICE FIREWALL

The Federal Circuit rejected the trial court’s finding that the asserted claims were patent-eligible under the two-step *Alice* framework for patent eligibility. Under the first step of the *Alice* analysis, courts determine whether claims are “directed to” a



WHEN ARE FOREIGN SALES OF SOFTWARE RELEVANT TO DAMAGES?

About \$94 million of the jury's \$185 million verdict in the *Gen Digital* case (see main article) was based on sales to customers outside the United States. Generally, no infringement occurs when a patented product is made and sold in another country. But the jury found that the infringing software sold to foreign customers was made in, and distributed from, the United States. The Federal Circuit disagreed.

The court explained that software in the abstract — that is, software not physically encoded in a tangible copy, such as a CD, hard drive or other computer-readable medium — is more like a blueprint. According to the court, software isn't tangible or capable of infringement until it's encoded in a particular copy stored on a computer-readable medium.

Because the software products sold to foreign customers weren't installed on computers in the United States, the court concluded they were made outside the United States. As a result, if the asserted patent claims are ultimately found patent-eligible on remand, the damages calculation must exclude those foreign sales.

patent-ineligible concept, such as an abstract idea. If they are, the court proceeds to the second step and determines whether the claims contain an “inventive concept” sufficient to transform the abstract idea into patent-eligible subject matter.

In software cases, the first step often turns on whether the claims are directed to a specific technological improvement in computer functionality or instead merely use computers as tools to perform an abstract idea. Software-based inventions have been found patent-eligible when they improve the functioning of computer technology itself. But claims that merely invoke conventional computer technology to perform longstanding concepts generally don't suffice.

The Federal Circuit concluded that the asserted claims were directed to the abstract idea of comparing data against a model to determine whether the data is anomalous. The court emphasized that though the patents' specifications described various technological improvements, the claim language itself didn't require many of those features.

Columbia conceded that emulators were conventional technology and that using multiple computers collaboratively in a divide-and-conquer fashion was itself an abstract idea. Columbia nevertheless argued that the claims described several other

technological improvements that rendered the inventions patent-eligible. The court disagreed, explaining: “It cannot be said the claims are directed to a technological improvement when nothing in the claims requires the steps necessary to make the improvement.”

The Federal Circuit nevertheless threw Columbia a lifeline at the second step of the *Alice* analysis. The court concluded that Columbia had preserved an argument that the claimed model of function calls might provide the necessary inventive concept to support patent eligibility. The Federal Circuit therefore returned the case to the trial court to determine whether the claimed model of function calls supplies an inventive concept sufficient to transform the abstract idea into patent-eligible subject matter.

BEYOND THE ABSTRACT

The appellate court also addressed several other issues on appeal that could become relevant on remand. These included the propriety of damages for foreign sales (see “When are foreign sales of software relevant to damages?” above), the trial court's award of enhanced damages and a finding of willful infringement. Based on the Federal Circuit's rulings, even if the lower court ultimately finds the claims patent-eligible, the damages award will likely be significantly reduced. ▣

The Digital Millennium Copyright Act

Court clarifies safe harbor protection

Online platforms that allow users to upload content often rely on the so-called “safe harbors” under the Digital Millennium Copyright Act (DMCA) to shield themselves from copyright infringement claims. A recent ruling from the U.S. Court of Appeals for the Second Circuit serves as a useful reminder, though, that the protection is far from absolute.

CASE SNAPSHOT

Elliott McGucken is a professional photographer. Hundreds of his photographs began appearing on Shutterstock’s online stock photo marketplace between 2018 and 2022, without his knowledge or consent.

McGucken sued Shutterstock for copyright infringement. The trial court dismissed the case before trial, finding that Shutterstock was protected from the infringement claim based on a DMCA safe harbor. McGucken appealed.

THE COURT’S FOCUS

The trial court found that Shutterstock satisfied all of the criteria required to qualify for the safe harbor. The company met the three “threshold criteria” because it:

1. Fell within the broad definition of a “service provider” (that is, a provider of online services or network access),
2. Implemented a policy for terminating repeat infringers who use its platform, and
3. Didn’t interfere with standard technical measures used by copyright owners to identify or protect copyrighted works.

But Shutterstock also needed to satisfy the criterion particular to the specific safe harbor it invoked. The provision protects providers from liability that would

arise “by reason of storage [of infringing materials] at the direction of the user.”

To qualify, a service provider can’t possess “actual” or “red flag” knowledge of infringement. The latter arises when the provider is subjectively aware of facts that made the specific infringement objectively obvious to a reasonable person.

On appeal, the Second Circuit found no actual or red flag knowledge on Shutterstock’s part. It nonetheless concluded that the lower court’s pretrial dismissal was improper because there were still “triable issues of fact” (that is, issues that should be resolved after a full trial, rather than before) concerning two additional requirements.

First, the court said Shutterstock didn’t establish that alleged infringement was “by reason of the storage at the direction of a user” of user-uploaded material on its platform. The question is whether the service provider played a sufficiently active role in the process by which material appeared on its platform, to the extent that its storage and display of infringing material is no longer meaningfully at the user’s direction.

The provider’s review of user materials is central to the analysis. According to the court, the safe harbor doesn’t apply if the provider, on a case-by-case basis, imposes its aesthetic, editorial or marketing judgment to determine which uploads it accepts. Because evidence suggested Shutterstock’s review of user images wasn’t just cursory or automatic, a trial was necessary on the issue.

Second, Shutterstock was also required to establish that it lacked the “right and ability to control” infringing content. This analysis turns on the degree of influence the provider exerted over the content on its platform.



The question here is whether Shutterstock's image pipeline — which included lengthy guidelines for successful submissions and manual review of every image — gave it substantial control over the images that appeared on its platform. A reasonable judge or jury, the court said, could conclude that the advice and instruction Shutterstock provided its contributors, coupled with the screening process, constituted substantial influence that preempted the safe harbor's protection.

DIGITAL DILEMMA

DMCA safe harbors provide valuable protection for service providers. However, providers can forfeit that protection based on the extent of their involvement in determining which content appears on their platforms. Providers must balance the amount of control they exercise against the risk of liability. ■

Are genetically engineered molecules patentable?

The U.S. Court of Appeals for the Federal Circuit has issued an important ruling for the life sciences industry. The court considered the patent eligibility of certain genetically engineered compositions.

Many rulings regarding patent eligibility center on whether the patented invention was an ineligible abstract idea. The appellate court in this case, however, weighed whether the compositions were ineligible natural phenomena.

AT THE CELLULAR LEVEL

REGENXBIO Inc. owns a patent on genetically engineered (human-made) host cells that contain

recombinant nucleic acid molecules with adeno-associated virus (AAV) sequences.

Recombinant nucleic acid molecules are created by chemically splicing together nucleic acid sequences from two different sources. AAVs are a type of virus with single-stranded DNA. AAVs can be used to transfer genes into human cells, helping to treat or cure genetic disorders.

REGENXBIO sued Sarepta Therapeutics Inc. for patent infringement. The lawsuit was based on Sarepta's use of an AAV variant in cultured host cells to make a gene therapy product to treat a type of muscular dystrophy. The trial court dismissed the case before trial, finding the patented host cells were



a natural phenomenon and therefore ineligible for patent protection. REGENXBIO appealed to the Federal Circuit, which hears all appeals in patent cases.

UNDER THE MICROSCOPE

The court focused on whether the host cells, compared with that which is naturally occurring, have “markedly different characteristics,” and “the potential for significant utility.” It began by noting that the parties didn’t dispute that the host cells included a recombinant nucleic acid molecule that cannot exist in nature because it must be spliced together via human intervention from at least two different sources to satisfy the requirements laid out in the patent.

Inventions that don’t merely
repackage products of nature should
survive the patent eligibility analysis.

Although the molecules contained naturally occurring DNA segments, the court said, they weren’t “nature’s handiwork” or a previously unknown natural phenomenon. Rather, they were a “nonnaturally occurring manufacture or composition of matter.” A lab technician unquestionably creates something new by splicing together the recombinant nucleic acid molecule with

the AAV and a heterologous (meaning from a different source) non-AAV sequence (the gene to be delivered) and inserting the molecule into the host cell. And that new cell, the court said, couldn’t form in nature on its own.

The appellate court faulted the trial court’s analysis as too narrow. It said the lower court shouldn’t have focused on whether the individual components of the patent claim were markedly different from those that occur naturally. The proper inquiry is whether the patented composition *as a whole* is markedly different from what occurs in nature.

The Federal Circuit then turned to the question of utility. It was undisputed, the court said, that the patented composition had the “potential for significant utility.” Various embodiments of it were beneficial for gene delivery to selected host cells and, in turn, gene therapy patients. It was irrelevant, the court added, that the potential for significant utility was only implicit.

NATURE VS. NURTURE

The court’s opinion in this case sheds valuable light on how it will evaluate the patent eligibility of genetically engineered biotechnology inventions. Those inventions that don’t merely repackage products of nature — here, host cells that contain molecules “markedly different” from anything naturally occurring — should survive the eligibility analysis. ■

Taking a bite out of a trademark infringement claim

Trademark owners may think that obtaining federal registration gives them reliable protection for their marks, but protection isn't absolute. Registration creates only a rebuttable presumption of validity. A recent case illustrates how that presumption can be defeated if the mark has become generic.

MEAT OF THE MATTER

Illinois Tamale Co. Inc. (Iltaco) is a Chicago-based food company that sells its pizza puff product (similar to a calzone but made with a flour tortilla) and a line of stuffed sandwiches nationwide. It has registered trademarks for “Pizza Puff” and “Puff” and advertises its products under the marks.

In 2024, national pizza chain Little Caesars launched its new “Crazy Puffs” product — small, baked pizza dough cups filled with pizza ingredients and topped with cheese. The company already had many other “Crazy” marks, which it has used extensively in its marketing since the 1980s. Its marketing materials for Crazy Puffs included a line reading “4 Hand-Held Pizza Puffs.”

Iltaco sued Little Caesars for trademark infringement. It also sought a preliminary injunction blocking the company from using “Crazy Puffs,” “Pizza Puff” and “Puff” to sell its product. The trial court granted the injunction but only for “Pizza Puff.” Little Caesars appealed.

RECIPE FOR DEFEAT

A preliminary injunction is appropriate only when the party seeking it shows it's likely to succeed in its underlying legal claim (here, infringement). In the trademark context, that requires showing that the mark was protectable and the defendant's use of it was likely to cause confusion among consumers.

The U.S. Court of Appeals for the Seventh Circuit found that Iltaco failed to establish a sufficient likelihood that it would succeed with its infringement claim. Trademark infringement claims fail if the mark is generic — and the court cited substantial evidence that “Pizza Puff” was generic.

Whether a registered mark has become a generic term depends on its “primary significance” to the relevant public. Little Caesars presented extensive evidence that the primary significance of “Pizza Puff” to consumers was as a generic term describing a class of products. For example, a survey showed that 83.3% of consumers of dough-based, pizza-ingredient-filled foods perceived “pizza puff” as a common term; only 12.7% saw it as a brand name.



Little Caesars also submitted several definitions of the term from crowd-sourced dictionaries showing the term has acquired a generic meaning. And it introduced evidence of third parties using “pizza puff” in their U.S. Patent and Trademark Office applications and registrations to indicate widespread generic use in the industry.

COURT STUFFS INJUNCTION

The Seventh Circuit concluded that Iltaco's evidence was insufficient to show a likelihood of success on the merits. Therefore, the court reversed the preliminary injunction for “Pizza Puff.” ▣

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INTELLECTUAL PROPERTY LAW

Since its founding in 1865, Reising has specialized solely in the practice of intellectual property (IP) law. Our clients range from Fortune 500 corporations to entrepreneurs. Our expertise includes:

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Did You Know?

Shannon Smith was appointed as Academic Liaison for the **Intellectual Property Inn of Court** Executive Committee. As Academic Liaison, Shannon will help strengthen connections between the legal profession and academic institutions through an organization dedicated to promoting excellence, professionalism, and education in intellectual property law.

Corey Beaubien and **Colin Cicotte** attended the summer meeting of the Association of Corporate Patent Counsel held in Denver. The Association is a professional community dedicated exclusively to Chief Patent and Intellectual Property Counsel of businesses operating in the U.S.

Corey Beaubien, **Colin Cicotte**, **Shannon Smith**, and **Jim Stevens** attended the **51st annual Intellectual Property Law Institute** held on Mackinac Island and cosponsored by the State Bar of Michigan IP Section. The Institute hosts speakers who give attendees the latest updates to relevant IP case law and issues.

Shannon Smith and **Mike Adams** attended the **International Trademark Association** (INTA) Annual Meeting in London, where they connected with foreign associates and intellectual property professionals from around the world. Their participation strengthened valuable international relationships, reinforced the firm's global network, and expanded opportunities for cross-border collaboration in support of clients' intellectual property needs.