
Sound the Alarm: Alarm.com Survives Alice Motion to Dismiss by Detailing Innovation

Alarm.com Incorporated and ICN Acquisition v. ipDatatel, LLC

By: Manon Burns and Reid Huefner | June 14, 2019

The Supreme Court's decision in *Alice* has alternately been wielded as a sword and a shield, but, with alarming frequency, the end result of an *Alice* challenge is a holding that the patent at issue is invalid. In fact, over half of patents challenged by *Alice* have been held to be directed to patent-ineligible subject matter. A key concern for computer and software-based companies trying to protect their IP is identifying how to properly allege that their patents are innovative and transformative over the prior art. Failure to do so can result not only in losing cases, but also in losing key components of its patent portfolio, as well. *Alarm.com Incorporated and ICN Acquisition v. IpDatatel, LLC* provides some instruction on how to overcome initial *Alice* challenges on motions to dismiss, and emphasizes the importance of showing that claims solve prior art problems and are not well-understood, routine, and conventional. 2019 WL 2368613 (S.D. Tex. 2019).

Alarm.com and IpDatatel compete in the home security and automation market, both companies developing home security and automation systems capable of integrating with smart devices. Alarm.com alleged that IpDatatel infringed five of its patents, each patent related to implementations of connecting, controlling, and communicating with security systems remotely, e.g., wirelessly, from a remote server, or from a smart device application.

Exemplary is the '090 Patent (U.S. Patent No. 7,113,090), issued in 2006, which claimed an improvement over the detection of "state changes" via an *armed* central monitor. The invention allowed the central monitor to transmit state changes and other events (i.e., normal, household activity like opening and closing doors) through a modem to a database whether it was armed *or* unarmed. It also allowed the homeowner to specify the type of events and how she wanted to be notified before the security system contacted authorities. Alarm.com's second amended complaint specified that the prior art "neither taught using normal activity nor expressed any appreciation for the substantial advantages associated with utilizing this data in combination with alarm events." It further specified that the system's ability to process the "normal activity" without being "overwhelmed" and its notification system which was designed to reduce false alarms to law enforcement were not common knowledge.

After the parties proposed claim constructions and the court issued its decision, IpDatatel reasserted its pending motion to dismiss Alarm.com's second amended complaint. IpDatatel argued that Alarm.com failed to state a claim because Alarm.com's patents were invalid under 35 U.S.C. § 101 and *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208 (2014), because they were directed to ineligible subject matter: abstract ideas. The court noted that patent eligibility can be resolved on a motion to dismiss where undisputed facts require a holding of ineligibility, but plausible factual allegations can preclude dismissal where nothing on the record refutes the allegations.

Under the Supreme Court's *Alice* framework, a court must (1) first, determine whether the patent claims at issue are directed to patent-ineligible subject matter, and, if so, (2) determine whether the patent claims contain an inventive concept that turns the abstract idea into a patent-eligible application. In this case, the court discussed that computer-related patent claims, in particular, could be challenging under step one, but "[i]f it is 'clear that the specific improvements in the recited computer technology go beyond 'well- understood, routine, conventional activit[ies],'" the court may bypass step one and find that the patent satisfies § 101." The court further stated that courts consider the elements of each claim individually and collectively to determine whether there is a transformation, and that there needs to be additional features that take the claim beyond an abstract idea.

Reviewing a Federal Circuit case on related technology, wherein the Federal Circuit reversed a district court's grant of a motion to dismiss, the court discussed that the Federal Circuit found that the proposed amended complaint in its case included many allegations related to the inventive concepts in the technology at issue, described the problems present in the prior art, and alleged how the patented technology was directed to improving and solving those problems. The proposed complaint in the Federal Circuit case further made concrete factual allegations that particular claim elements were not well-understood, routine, or conventional. Similarly, a district court in the Northern District of Illinois denied a motion for judgment on the pleadings under § 101 because the complaint "describe[d] the development of the patent invention, including the problems present in the prior art ... [and alleged] how the inventions disclosed in the ... [p]atent [were] improvements over the prior art and enable the operation of advanced communications services regardless of equipment or network hardware limitations."

Regarding the '090 Patent, Alarm.com highlighted the new aspects of each claim over the prior art and how each claim element solved problems in the prior art in ways that were not well-understood, routine, or conventional. The Court held that its allegations relating to the inventive concepts of the technology, its description of the development of the invention, and the problems present in the prior art for each claim (like in the Federal Circuit and N.D. Ill. cases) supported that the claims were not previously well-understood technology, thus denying the motion to dismiss as to the '090 Patent. Following the same analysis, the Court similarly denied the motion to dismiss the other four patents.

Alarm.com provides a framework for patent owners to proactively include patentability allegations in initial complaints rather than reactively, on amendment. Patent owners must describe the development of the invention, the problems present in the prior art, and, as concretely and specifically as possible, how each claim/claim element/claim combination improved or solved the problems in the prior art. If improvements are concrete, a court should be more likely to find that the patent owner has adequately alleged an innovative step, and thus overcome *Alice* at the motion to dismiss stage.