

NEWS RELEASE

February 19, 2019

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Netsmart Technologies’ Invalidation of Troll Patent on Abstract Idea Affirmed by Federal Circuit

CHICAGO, Ill. — On February 8, 2017, the Federal Circuit affirmed a win for Netsmart Technologies, Inc. against the appellants, Uniloc USA, Inc. and Uniloc Luxembourg S.A., both non-practicing entities. The appellate court panel, consisting of Judges Wallach, Moore, and Hughes, affirmed by per curium order the district court’s grant of Netsmart’s motion to dismiss a patent infringement suit last May, because the asserted patents were directed to unpatentable subject matter.

Uniloc originally asserted U.S. Patent Nos. 5,682,526 and 5,715,451 against Netsmart, along with nine other defendants, in the Eastern District of Texas. Defendants filed motions to dismiss the complaint on the grounds that the claims of the ’526 Patent and the ’451 Patent are directed to subject matter that is ineligible for patenting under 35 U.S.C. § 101 in light of the Supreme Court’s decision in *Alice Corporation v. CLS Bank International*. Judge Trey Schroeder granted the motions to dismiss on March 30, 2017, dismissing all claims against the defendants.

Uniloc appealed the district court decision to the Federal Circuit, seeking review of whether the district court misapplied the procedural standard and test set forth in *Alice*, and erred in concluding that the claims of the ’526 Patent and the ’451 Patent are drawn to abstract ideas and do not satisfy the inventive concept requirement.

Following oral argument on February 5, 2019, by Riley Safer Holmes & Cancila’s Nick Kahlon, the Federal Circuit affirmed the district court’s finding that the ’526 Patent was drawn to an abstract idea—organizing medical data in a hierarchy—and that the ’451 Patent was directed to “creating and storing user-constructed formulas.” The court also rejected Uniloc’s reliance on a “formula construction subsystem” and “linking” claim elements as “inventive concepts.” Accordingly, the Federal Circuit affirmed that the asserted patent is invalid for claiming subject matter that is not eligible for patenting.

Netsmart Technologies develops and sells healthcare software for use in hospitals, clinics, medical centers, and patient homes. In addition to providing electronic health record systems to healthcare providers, Netsmart provides behavioral health solutions, home-care solutions, and record management for senior living facilities and social service programs.

Netsmart was represented by Riley Safer Holmes & Cancila’s Nick Kahlon and Taylor Corbitt.

The case is *Uniloc USA, Inc. et al. v. Picis, Inc. et al.*, case number 17-2171, in the United States Court of Appeals for the Federal Circuit.

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