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The Precedent: Federal Circuit Considers Patent Eligibility and Damages Based on Foreign Sales for Computer Software in *Trs. of Columbia Univ. v. Gen Digital Inc.*

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In this edition of *The Precedent*, we outline the decision in *Trs. of Columbia Univ. v. Gen Digital Inc.*

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Overview

In *Trustees of Columbia University v. Gen Digital Inc.*, the Federal Circuit addressed a complex record involving patent infringement findings on malware-related patents, patent eligibility under the *Alice* framework, claim construction, willful infringement, enhanced damages, and damages based on foreign software sales. Notably, the Federal Circuit ruled that the question of whether a patent is directed to an improvement rather than an abstract idea is based on the claims, not the specifications and damages for infringement based on software sold abroad are only permitted when the software is tied to a physical device made in or distributed from the U.S.

Issues

1. Whether patent specifications can affect the *Alice* analysis of whether a patent is directed to a non-abstract improvement to computer technology?
2. Whether the district court properly construed the term “emulator” to find that the term does not require simulating a computer system?
3. Whether the district court erred in denying Gen Digital’s JMOL on the issue of willful infringement?
4. Whether foreign sales of software can be included in damages calculations?
5. Whether the court properly awarded enhanced damages and attorneys’ fees based on a contempt finding in a related case?

Holdings

1. Whether a patent is directed to an improvement of computer technology under *Alice* is based on the patent claims, not the specification.
2. The district court properly construed the term emulator by reviewing the text of the claims, considering the prosecution history, and evaluating expert testimony.
3. Sufficient evidence showed that Gen Digital knew of the relevant patent such that a reasonable jury could find willful infringement.
4. Foreign sales of software that are not tied to a physical device such as a CD or hard drive made or distributed from the U.S. cannot be included in damages calculations.
5. Because the contempt finding in the related case was overturned, the award of enhanced damages and attorneys' fees based on that ruling also must be overturned.

Background and Reasoning

Columbia sued Gen Digital alleging Gen Digital infringed several claims of two patents related to antivirus software. Before the District Court, Gen Digital argued that the claims were patent ineligible under 35 U.S.C. § 101. The District Court applied the *Alice* framework, determined that the claims were not directed to an abstract idea, and struck Gen Digital's defense before trial. At trial, the jury found willful infringement and awarded over \$185 million in damages, which was based on foreign and domestic sales. The court awarded enhanced damages and attorneys' fees based on a contempt finding against Gen Digital's counsel in a related case.

On appeal, the Federal Circuit held that the asserted claims are abstract at *Alice* step one. It concluded that the claims are directed to the patent ineligible concept of comparing data against a model created using different computers to determine whether the data is anomalous. Columbia sought to overcome the issue by pointing to technical improvements described in the specification, such as selective emulation, diversified models, and application-community features. But the Federal Circuit found those features were not required by the claims and therefore could not support eligibility at step one.

The Federal Circuit did not resolve *Alice* step two. Instead, the Federal Circuit acknowledged that there was a factual dispute as to whether a particular feature was conventional. Given the procedural posture, the Federal Circuit could not decide the issue on appeal and therefore remanded the issue to the district court.

After the *Alice* analysis, the Federal Circuit resolved various remaining issues that were already briefed that could be relevant on remand. The Federal Circuit began by analyzing the district court's construction of the term "emulator." Gen Digital argued that under a proper construction, it would not have infringed the patents. The Federal Circuit disagreed finding that the district court properly construed "emulator" and holding that under that construction, a reasonable jury could find infringement.

The Federal Circuit then proceeded to the jury's determination of willful infringement. The Federal Circuit concluded that the district court did not err in denying Gen Digital's request for a JMOL on the matter of willfulness because evidence showed that Gen Digital knew about the provisional patent applications, a representative attended a lecture where one of the patent inventors discussed his research that later became the patents, and Gen Digital had discussed licensing the software with Columbia.

Next, the Federal Circuit turned to the damages issue. It began by noting that generally there is no infringement when a product is made and sold in another country. Relying on precedent, the Federal Circuit held that the software sold abroad that is not encoded on a physical device like a CD or hard drive is not made in or distributed from the United States. Accordingly, awarding damages based on these foreign sales was error.

Finally, the Federal Circuit vacated the awards of enhanced damages and attorneys' fees. Those rulings relied, in part, on a contempt finding against defense counsel in a companion case that the Federal Circuit reversed on the same day. The Federal Circuit also concluded that relitigating issues throughout a case did not amount to litigation misconduct and that the case was closer than the district court recognized because of the patent eligibility issues that had been determined through earlier briefing.

Takeaway

Whether software patents go to a non-abstract improvement is based on the claims, not the specifications. Moreover, damages for foreign software are not permitted unless the software is tied to a physical device that is made in or distributed from the United States.