

Not So Fast: Questions of Fact May Preclude Early Patent-Eligibility Determinations Under Section 101

In two recent decisions, *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018) and *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018), the U.S. Court of Appeals for the Federal Circuit vacated rulings of patent ineligibility in the contexts of a Rule 12(b)(6) motion to dismiss and a motion for summary judgment. In each case, the Court found that there were disputed issues of fact bearing on the “inventive step” prong of the *Alice* test that precluded judgment as a matter of law. As explained below, these decisions (i) make clear that questions of fact can and do underlie the Section 101 inquiry, (ii) provide a roadmap for patent owners to stave off early eligibility rulings in litigation, and (iii) make it more difficult for patent examiners to support eligibility rejections during prosecution.

Background

Section 101 of the Patent Act provides that anyone who “invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” may obtain a patent. 35 U.S.C. § 101. Because patent protection does not extend to claims that monopolize the “building blocks of human ingenuity,” claims directed to laws of nature, natural phenomena, and abstract ideas are not patent eligible. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014). In *Alice*, the Supreme Court set forth a two-step analytical framework for identifying patents that claim patent ineligible subject matter. First, a court must determine whether the claims at issue are directed to a patent-ineligible concept. *Id.* at 2355. If so, the court must then consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements contain an “inventive concept” sufficient to transform the nature of the claim into a patent-eligible application.” *Id.* If the claims fail step two, they are deemed patent ineligible under Section 101.

In *Berkheimer*, the asserted patent related to digitally processing and archiving files in a digital asset management system. The system parses files into multiple objects and tags the objects to create relationships between them. These objects are analyzed and compared, either manually or automatically, to archived objects to determine whether variations exist based on predetermined standards and rules. According to the patent, the system eliminates redundant storage of common text and graphical elements, which improves system operating efficiency and reduces storage costs.

On a motion for summary judgment, the district court held that Berkheimer’s claims 1-7 and 9 were patent ineligible under Section 101.

In *Aatrix*, the asserted patents were directed to systems and methods for designing, creating, and importing data into a viewable form on a computer so that a user can manipulate the form data and create viewable forms and reports. The specification described a data processing system, which has three main components: a form file, a data file, and a viewer. The form file is created using in-house form development tools and is designed to model the physical characteristics of an existing form, including the calculations and rule conditions required to fill in the form. According to the patents, the data file allowed data from third-party applications to be “seamlessly imported” into the form file program to populate the form fields.

On a motion to dismiss the complaint under Rule 12(b)(6), the district court held that every claim was ineligible under Section 101. Aatrix moved to modify and vacate the judgment, for reconsideration, and for leave to amend the complaint. It argued that the proposed second amended complaint supplied additional allegations and evidence that would have precluded a dismissal under § 101 at the Rule 12(b)(6) stage. The district court denied these motions.

Result

In *Berkheimer*, the Federal Circuit affirmed the district court’s decision that claims 1-3 and 9 were ineligible, but vacated the grant of summary judgment as to dependent claims 4-7 due to genuine issues of material fact regarding whether claims 4-7 recite well-understood, routine, and conventional activities to a skilled artisan under the second step of the *Alice* test.

As an initial matter, the Court rejected HP’s argument that Berkheimer waived his ability to argue that the dependent claims are separately patent eligible. Reviewing the briefs submitted in district court, the Federal Circuit found that Berkheimer never agreed to treat independent claim 1 as a representative claim for purposes of the Section 101 inquiry, and specifically argued that certain limitations in the dependent claims are patent eligible concepts.

As to the merits, the Court concluded with respect to *Alice* step one – whether the claims are directed to a patent-ineligible concept – that claims 1-3 and 9 are directed to the abstract idea of parsing and comparing data; claim 4 is directed to the abstract idea of parsing, comparing, and storing data; and claims 5-7 are directed to the abstract idea of parsing, comparing, storing, and editing data.

Proceeding to *Alice* step two – whether the claims contain an inventive concept – the Court began by emphasizing that “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.” *Berkheimer*, 881 F.3d at 1368. The Court also noted that any fact “pertinent to the invalidity conclusion must be proven by clear and convincing evidence.” *Id.* The Court made clear that patent eligibility has in many cases been resolved on motions to dismiss or summary judgment, and stressed that nothing in its decision “should be viewed as casting doubt on the propriety of those cases.” *Id.* But to decide the issue on summary judgment as a matter of law, there must be “no genuine issue of material fact regarding whether the claim element or claimed combination is well-understood, routine, conventional to a skilled artisan in the relevant field.” *Id.* Here, the Court found that the district court erred in concluding there were no underlying factual questions to the § 101 inquiry.

Notably, the Federal Circuit explained that whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. “The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.” *Id.* at 1369.

Berkheimer’s specification, according to the Court, described an inventive feature that stores parsed data in a purportedly unconventional manner. This eliminates redundancies, improves system efficiency, reduces storage requirements, and enables a single edit to a stored object to propagate throughout all documents linked to that object. The Court found that this

was sufficient to create a factual dispute regarding whether the invention describes well-understood, routine, and conventional activities. *Id.* Nevertheless, claims 1-3 and 9 failed to recite an inventive concept because they did not include limitations incorporating the improvements to computer functionality described in the patent specification. *Id.* at 1370. Only dependent claims 4-7 contained limitations directed to the arguably unconventional inventive concept described in the specification. *Id.* Accordingly, the Court held that summary judgment was inappropriate for these claims.

In *Aatrix* (decided six days after *Berkheimer*), the Federal Circuit vacated the district court's dismissal pursuant to Rule 12(b)(6), finding that there were factual allegations in the second amended complaint regarding the "inventive step" prong that, when accepted as true, prevented dismissal at the motion to dismiss stage. *Aatrix*, 882 F.3d at 1130.

The Court found that it was an abuse of discretion to deny *Aatrix* leave to amend the complaint where the proposed second amended complaint supplied "numerous allegations related to the inventive concepts present in the claimed form file technology." *Id.* at 1127. For example, the amended complaint included allegations that the claimed invention saves storage space, uses less memory, results in faster processing speed, and reduces the risk of thrashing which makes the computer process forms more efficiently. *Id.* The Court concluded that in light of the allegations pled by *Aatrix*, the district court could not conclude at the Rule 12(b)(6) stage that the claimed elements were well-understood, routine, or conventional. *Id.* at 1128. Accordingly, the Court held that dismissal was inappropriate and *Aatrix* was entitled to file its proposed second amended complaint. *Id.* The Court emphasized, however, that "this opinion should be viewed as going beyond the Rule 12(b)(6) stage. *Id.* at 1120. Summary judgment, for example, involves different standards than Rule 12(b)(6)." *Id.*

Significance

The *Berkheimer* and *Aatrix* decisions are important for patent owners because they will make it more difficult for accused infringers to dispose of cases at the summary judgment, judgment on the pleadings, or motion to dismiss stages. These decisions make clear that questions of fact underlie patent eligibility determinations. Litigants should expect to see complaints with more factual allegations, including allegations that the limitations contained in each asserted claim are directed to inventive concepts that are not well-understood, routine, or conventional. *Berkheimer* also provides a roadmap for patent owners to argue patent eligibility on a claim-by-claim basis, rather than having to lump all claims together in a representative claim.

With respect to patent prosecution, these decisions may require examiners to provide additional factual evidence in order to support a rejection based on a lack of inventive concept. In this regard, on April 19, 2018, the USPTO issued a memorandum to the Patent Examining Corps to provide guidance on determining subject matter eligibility in view of *Berkheimer* and *Aatrix*. See <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF>. The memo specifies, for example, that the analysis for determining whether an element (or combination of elements) is widely prevalent or in common use is comparable to the analysis under 35 U.S.C. 112(a) as to whether an element is so well-known that it need not be described in detail in the patent specification. *Id.* at 3. The memo also explains that such a

showing requires more than just establishing that the claim elements lack novelty or are non-obvious. *Id.* Notably, examiners are directed to review the specification and file history to identify any statements made by the applicant that demonstrate the well-understood, routine, conventional nature of the claim elements. *Id.*



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