February 21, 2018

Pair of Federal Circuit Decisions May Impact Early Section 101 Challenges in Patent Litigation

In the span of a week, the Court of Appeals for the Federal Circuit vacated two district court rulings of patent invalidity under 35 U.S.C § 101. The first decision, *Berkheimer v. HP Inc.*, vacated-in-part a grant of summary judgment that certain patent claims were ineligible under Section 101. *Berkheimer v. HP Inc.*, No. 2017-1437, slip op. at 17 (Fed. Cir., Feb. 8, 2018). The second decision, *Aatrix Software, Inc. v. Green Shades Software, Inc.*, vacated a dismissal on Section 101 grounds and reversed the district court's denial of a motion for leave to file an amended complaint. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, No. 2017-1452, slip op. at 15 (Fed. Cir., Feb. 14, 2018). These decisions highlight the factual disputes that can arise during Section 101 challenges and, reversing a trend from the last several years, suggest that patent subject matter eligibility determinations may be less attractive candidates for early dispositive motions.

In *Berkheimer,* the patented technology involved methods for archiving computer data files that involve parsing, analyzing and storing data files, which were described in the specification as eliminating redundancies, improving efficiency, reducing storage requirements and enabling one-to-many editing. *Berkheimer*, slip op. at 2. While the court generally agreed with the district court's conclusion that the claims were directed to an abstract idea under step-one of the *Alice/Mayo* framework, it disagreed with the lower court's conclusion that the claims did not contain an inventive concept under step-two because they merely employed "well-understood, routine, and conventional" computer functions articulated at a "high level of generality." *Id.* at 13. While Section 101 issues are questions of law, the court emphasized that "[w]hether something is well-understood, routine, and conventional . . . is a factual determination" that "goes beyond what was simply known in the prior art." Notably, the court found that the patent specification "describes an inventive feature that stores parsed data in a purportedly unconventional manner," concluding that a genuine issue of material fact existed with respect to the claims that captured these inventive features. *Id*. at 14-17.

In *Aatrix*, the court held that the district court erred in denying the patent owner leave to amend its complaint, finding the allegations in the proposed amended complaint, if taken to be true, raised factual disputes underlying the Section 101 analysis. *Aatrix Software, Inc.*, slip op. at 8-9. Judge Moore, writing for the panel majority, focused on specific allegations that the claimed inventions were an improvement over the prior art that provided increased processing efficiency. *Id*. at 10. The court found that these allegations "suggest that the claimed invention is directed to an improvement in the computer technology itself," contradicting the lower court's conclusion that the claimed combination was routine and conventional. *Id*. at 10-11. As in *Berkheimer*, the court observed that "[w]hether the claim elements or the claimed combination are well-understood, routine, conventional is a question of fact," ultimately concluding that, in the case at hand, the "question cannot be

For more information, please contact the following members of Katten's **Intellectual Property** practice:

Christopher B. Ferenc
+1.202.625.3647
christopher.ferenc@kattenlaw.com

Yashas K. Honasoge
+1.312.902.5609
yashas.honasoge@kattenlaw.com

Michael A. Dorfman
+1.312.902.5658
michael.dorfman@kattenlaw.com

answered adversely to the patentee based on the sources properly considered on a motion to dismiss." *Id*. at 11-12. Judge Reyna dissented-in-part and questioned the role of factual evidence in Section 101 challenges. *Id*., Dissent slip op. at 2. Judge Reyna expressed concern that the majority opinion effectively converts a motion to dismiss on Section 101 grounds into "full blown factual inquiry," welcoming "an inexhaustible array of extrinsic evidence, such as prior art, publications, other patents, and expert opinion." *Id*.

In view of *Aatrix*, it seems that motion to dismiss challenges based on Section 101 will be harder to win. A patentee may be able to put forth factual allegations in a complaint, or proposed amended complaint, sufficient to overcome step-two of *Alice/Mayo*—at least in this early stage of the action where allegations must be taken as true. In *Berkheimer*, the court made clear that summary judgment motions are still viable for Section 101 challenges, but underscored the importance of determining whether an alleged inventive concept identified in step-two of *Alice/Mayo* is captured in the specific language of the claims. Indeed, the Federal Circuit was quick to apply the principles of *Aatrix* and *Berkheimer* in its recent review of a motion for judgment on the pleadings on Section 101 grounds. In *Automated Tracking Sols. v. The Coca-Cola Co.*, the court affirmed a finding of patent invalidity, highlighting the lack of alleged facts in the complaint or support in the patent specification that could establish the claimed hardware components were "anything but well-understood, routine and conventional" under step-two of *Alice/Mayo*. *Automated Tracking Sols., LLC v. The Coca-Cola Co.*, No. 2017-1494, slip op. at 10-11 (Fed. Cir., Feb. 16, 2018) (non-precedential). Taken together, these decisions indicate that the Federal Circuit is now more inclined to take a closer look at Section 101 decisions that are based on less than a full trial record.