Federal Circuit Identifies Circumstances
Militating Against Early Or Summary § 101 Determinations

Two recent Federal Circuit decisions, *Berkheimer v. HP Inc.* (No. 2017-1437) and *Aatrix Software, Inc. v. Green Shades Software, Inc.* (No. 2017-1452), have identified certain circumstances that militate against early or summary § 101 determinations in litigation.

Background

In *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Supreme Court established a two-step test for assessing patent eligibility under 35 U.S.C. § 101. Step one is to determine whether the patent claims in question are directed to a patent-ineligible concept or abstract idea; step two is to determine whether the claim elements, considered both individually and as an ordered combination, transform the nature of the claims into a patent-eligible application. The second step of *Alice* is met when the claimed invention involves "more than performance of well understood, routine, [and] conventional activities previously known to the industry." *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1347-48 (Fed. Cir. 2014).

A number of district court decisions since *Alice* have held patent claims to be ineligible under § 101 in the course of deciding Fed. R. Civ. P. 12(b)(6) motions brought at the start of litigation, or upon motions for summary judgment. The pair of Federal Circuit decisions discussed below, however, indicate that the existence of factual disputes over aspects of the *Alice* inquiry may in certain circumstances militate against such early or summary § 101 determinations.

***Berkheimer v. HP Inc.* (No. 2017-1437)**

In *Berkheimer*, the District Court for the Northern District of Illinois granted HP's summary judgment motion that claims 1-7 and 9 of Berkheimer's U.S. Patent No. 7,447,713—which relates to digitally processing and archiving files in a digital asset management system—were ineligible under § 101. The district court also held claims 10-19 invalid for indefiniteness. Berkheimer appealed.

In a February 8, 2018 decision by Judges Moore, Taranto and Stoll, the Federal Circuit affirmed the district court's indefiniteness holding as to claims 10-19 and its § 101 summary judgment as to claims 1-3 and 9, but vacated the § 101 summary judgment as to claims 4-7. As an initial matter, the Federal Circuit held that Berkheimer had preserved his ability to argue the § 101 eligibility of claims 4-7 separately on appeal, crediting Berkheimer's assertions that claims 4-7 included limitations that bear upon patent eligibility, and that Berkheimer never agreed to treat claim 1 as representative of other claims.

Turning to step one of *Alice*, the Federal Circuit determined that claims 4-7 were directed to the abstract idea of parsing, comparing, storing, and/or editing data. However, turning to step two of *Alice*, the Federal Circuit held that "whether claims 4-7 perform well-understood, routine, and conventional activities to a skilled artisan is a genuine issue of material fact making summary judgment inappropriate with respect to these claims." In so holding, the Federal Circuit noted that "whether the claimed invention is well-understood, routine, and conventional is an underlying fact question for which HP offered no evidence." The Federal Circuit continued:

> While patent eligibility is ultimately a question of law, the district court erred in concluding there are no underlying factual questions to the § 101 inquiry. Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination. 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.

Despite this, the Federal Circuit was quick to defend the propriety of prior decisions in which § 101 eligibility had been decided on motions to dismiss or on summary judgment: "Nothing in this decision should be viewed as casting doubt on the propriety of those cases. When there is 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, this issue can be decided on summary judgment as a matter of law."

***Aatrix Software, Inc. v. Green Shades Software, Inc.* (No. 2017-1452)**

In this case, Aatrix sued Green Shades in the District Court for the Middle District of Florida, alleging that Green Shades infringed U.S. Patents Nos. 7,171,615 and 8,984,393, which are directed to systems and methods for designing, creating, and importing data into a viewable form on a computer. Green Shades moved to dismiss Aatrix's complaint under Fed. R. Civ. P. 12(b)(6), arguing that all claims of the patents were ineligible under § 101. The district court granted the motion to dismiss and held every claim ineligible under § 101. Aatrix in turn moved to modify and vacate the judgment, for reconsideration, and for leave to file a second amended complaint, which Aatrix argued supplied additional allegations and evidence that would have precluded dismissal under § 101. The district court denied Aatrix's motions. Aatrix appealed.

In a February 14, 2018 decision by Judges Moore, Reyna, and Taranto, the Federal Circuit vacated the district court's grant of the motion to dismiss, reversed the denial of Aatrix's motion for leave to file a second amended complaint, and remanded for further proceedings.

The Federal Circuit first rejected the district court's *sua sponte* holding that claim 1 of the '615

patent was patent-ineligible because it is not directed to a tangible embodiment. According to the Federal Circuit, claim 1 "claims a data processing system which clearly requires a computer operating software, a means for viewing and changing data, and a means for viewing forms and reports. This is very much a tangible system. The district court erred in holding claim 1 ineligible because it was directed to intangible matter and should have instead performed an *Alice*/*Mayo* analysis of claim 1."

As to the other patent claims, the Federal Circuit determined that the district court's "subsequent refusal to permit an amended complaint was erroneous because at that stage there certainly were allegations of fact that, if Aatrix's position were accepted, would preclude the dismissal." The Federal Circuit explained that:

> The proposed second amended complaint contains allegations that, taken as true, would directly affect the district court's patent eligibility analysis. These allegations at a minimum raise factual disputes underlying the § 101 analysis, such as whether the claim term "data file" constitutes an inventive concept, alone or in combination with other elements, sufficient to survive an *Alice*/*Mayo* analysis at the Rule 12(b)(6) stage.

As in *Berkheimer*, the Federal Circuit in *Aatrix* observed that "[w]hile the ultimate determination of eligibility under § 101 is a question of law, like many legal questions, there can be subsidiary fact questions which must be resolved en route to the ultimate legal determination." And, as in *Berkheimer*, the Federal Circuit in *Aatrix* focused on factual issues implicated in the second step of the *Alice* test to rule that the district court's § 101 determination was improper:

> There are concrete allegations in the second amended complaint that individual elements and the claimed combination are not well-understood, routine, or conventional activity. There are also concrete allegations regarding the claimed combination's improvement to the functioning of the computer. We have been shown no proper basis for rejecting those allegations as a factual matter.

Judge Reyna concurred-in-part and dissented-in-part. In his dissent, he asserted that "the majority opinion attempts to shoehorn a significant factual component into the *Alice* § 101 analysis," and expressed concern that this would permit parties to raise "an inexhaustible array of extrinsic evidence" in both Rule 12(b)(6) and summary judgment proceedings. Judge Reyna also noted that the allegations in Aatrix's second amended complaint were not addressed by the district court, and that "[a]s an appellate court, we should not pass judgment on matters not addressed by the district court."

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