

Patent Eligibility After 'Alice'

Light at the end of the rabbit hole?

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Nearly every patent practitioner has been impacted by the U.S. Supreme Court's decision in *Alice Corp. v. CLS Bank International*, 134 S.Ct. 2347 (2014). *Alice* applied the two-part eligibility test set forth in *Mayo Collaborative Services v. Prometheus Labs*, 132 S.Ct. 1289 (2014), i.e., is the claim directed to ineligible subject matter and, if so, is there an inventive concept in the claim that amounts to something significantly more than the mere ineligible subject matter? In *Alice*, the answer was no on both counts.

Patent prosecutors have met a dramatic increase in rejections on patent ineligibility grounds under 35 U.S.C. §101 and a significant decrease in allowed software and business method patents. For patent litigators, §101 has become the defense du jour, with district courts granting nearly two-thirds of motions asserting ineligibility. But

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is there hope for surviving *Alice* challenges? Perhaps.

Recently there have been a number of decisions denying patent ineligibility challenges. According to district court statistics available via DocketNavigator as of May 16, the percentage of §101 motions granted outright (at either the pleading or summary judgment stage) decreased from 62 percent for decisions handed down in the first year following the June 19, 2014, *Alice* decision, to 53 percent for decisions handed down in the nearly 11 months that followed.

At the appellate level, the Court of Appeals for the Federal Circuit's recent decision in *Enfish v.*

Microsoft Corp., —F.3d—, (Fed. Cir. May 12, 2016), represents the second post-*Alice* appellate decision upholding patent eligibility under §101 and (at least for now) seemingly bolsters the eligibility of software-based inventions.

These and other recent decisions serve to identify certain strategies that patent litigators and prosecutors should consider in dealing with eligibility challenges.

- Consider whether claim terms need to be construed to determine patent eligibility.

As with any validity challenge, eligibility under §101 requires understanding the proper scope of the

patent claims. Notwithstanding that it “will ordinarily be desirable—and often necessary—to resolve claim construction disputes” before determining patent subject matter eligibility, formal claim construction is not “an inviolable prerequisite to a validity determination under §101.” *Bancorp Servs. v. Sun Life Assur. Co.*, 687 F.3d 1266, 1273-74 (Fed. Cir. 2012). For example, if a patentee does not explain how claim construction impacts the §101 analysis, courts may determine patent eligibility without a formal claim construction. Similarly, if a claim would be ineligible even under a patentee’s proposed claim construction, then a court may adopt the patentee’s construction for purposes of deciding the eligibility motion.

When faced with a §101 challenge at the pleading stage, patentees should consider the strength of their argument that claim construction is necessary to resolve the eligibility issue. Several district court decisions have cited the need for claim construction as a basis for denying motions to dismiss on patent eligibility grounds. See, e.g., *Execware v. BJ’S Wholesale Club*, No. 14-cv-233 (D. Del. Sept. 30, 2015); *Secured Structures v. Alarm Sec. Grp.*, No. 6:14-cv-930 (E.D. Tex. Mar. 10, 2016). Courts have noted that claim construction may bear on whether the claims are drawn to an abstract idea and whether the claims are specific enough to avoid disproportionate pre-emption of the alleged abstract idea.

Before asserting claims, practitioners should analyze whether they

will be able to advance constructions narrow enough to survive *Alice* yet broad enough to cover the accused product or service.

- *Do not let accused infringers unilaterally designate representative claims.*

While invalidity must be proven on a claim-by-claim basis, accused infringers routinely attempt to invalidate entire patents on §101 grounds, based upon motions that analyze one or more allegedly “representative” claims. This practice is not without support. In *Alice*, the Supreme Court invalidated 208 claims based upon the analysis of just one representative claim.

Patentees faced with a §101 attack should not make the challenger’s job easier by acquiescing to the designation of representative claims. Indeed, in many of the Federal Circuit and Supreme Court decisions utilizing a representative claim, the opinion made clear that the patentee did not object to such an analysis. In contrast, a number of recent district court decisions have refused to engage in a representative claims analysis over a patentee’s objection. See, e.g., *Wetro Lan v. Phoenix Contact USA*, No. 15-cv-421 (E.D. Tex. Mar. 29, 2016).

Disputes involving representative claims have become so prevalent that one Delaware court developed the following three-consideration inquiry for resolving them: (1) “are all nonrepresentative claims adequately represented by the representative claim”; (2) “are there issues of claim

construction that must be decided before resolving the motion”; and (3) “is there any set of facts that could be proven relating to pre-emption, questions of patentability, or whether the claims ‘solve a technological problem,’ that would result in a determination that one or more of the claims are patent-eligible?” *Cronos Techs. v. Expedia*, No. 13-cv-1538 (D. Del. Sept. 8, 2015).

Clearly, deciding which claims to assert is a key factor in any patent litigation, and especially so where an *Alice* challenge can be anticipated.

- *Argue that discovery is needed to inform the Alice inquiry.*

As with any motion to dismiss under Rule 12(b)(6), all plausible inferences must be drawn in the nonmovant’s favor. While that has not deterred courts from granting the majority of post-*Alice* ineligibility motions, a number of recent decisions suggest that patentees may nonetheless be able to leverage that inference to their advantage. For example, Judge Robinson of the District Court for the District of Delaware recently issued four decisions opining that factual issues of whether a claimed solution is “innovative enough to ‘override the routine and conventional’ use of the computer”—a consideration the Federal Circuit’s *DDR Holdings v. Hotels.com*, 773 F.3d 1245 (Fed. Cir. 2014), decision deemed relevant to step two of the *Mayo* test applied in *Alice*—“is more appropriately addressed after discovery in

the context of a motion for summary judgment.” See, e.g., *Treehouse Avatar v. Valve Corp.*, No. 15-cv-427 (D. Del. March 22, 2016).

Similarly, another court in Delaware found factual development necessary on the step-two issues of “how unconventional or innovative” the claimed solution was at the time of patent filing, as well as “the question of pre-emption.” *IBM v. The Priceline Group*, No. 15-cv-137 (D. Del. Feb. 16, 2016).

With these cases for support, arguing for discovery may help forestall an early ineligibility finding at the pleading stage.

- *Consider venue when asserting patents that may be subject to an Alice challenge.*

Forum selection can also impact an *Alice* challenge. While the statistics above show that district courts nationally have granted 61 percent of post-*Alice* motions, the two most popular patent litigation forums, the Eastern District of Texas and the District of Delaware, granted only 37 percent and 50 percent of these motions, respectively. These statistics are buoyed by a significant number of recent denials issuing from the Delaware District Court. In contrast, courts in the Northern District of California, another venue with a substantial patent litigation case load, granted 64 percent of §101 motions during the same time period (albeit, over a smaller sample size).

Whether the disparity in movant success rates in different districts is an aberration or will stand the test of time remains to be seen. Nonetheless, patent holders who ignore the impact of venue choice on a potential *Alice* attack do so at their own risk.

- *Drafting patents to withstand Alice at the PTO.*

Current examination guidelines (available online at www.uspto.gov) offer guidance as to how claims should be drafted, as well as how the claimed invention should be characterized and disclosed in the patent’s specification to withstand eligibility challenges at the PTO.

In the post-*Alice* world in which we now practice, a patent application should be drafted with an eye toward the specific technical problem solved by the invention. It should discuss the current state of the art and the technical problems that exist in the art. On that foundation, the applicant should build a detailed disclosure of the technical elements of the invention, describe how those elements provide a specific technical solution to the outlined technical problem, and explain why such a solution is an improvement to one or more technical fields.

A robust disclosure can be beneficial in the face of an *Alice*-based PTO rejection by providing evidence of how the invention is rooted in a specific technology to solve a technological problem that provides

improvements over existing technology. Such a disclosure follows the rationale set forth in *DDR Holdings*, a case that underpins a key eligibility example for patent examiners in the PTO’s own guidelines.

While not yet discussed in the PTO guidelines, in *Enfish* the Federal Circuit recently overturned an ineligibility ruling and cited the support found in the patent-in-suit’s disclosure as a basis for its decision. The court placed reliance on the advantages of the claimed implementation disclosed in the patent’s specification, stating in part: “[O]ur conclusion that the claims are directed to an improvement of an existing technology is bolstered by the specification’s teachings that the claimed invention achieves other benefits over conventional databases, such as increased flexibility, faster search times, and smaller memory requirements.”

One can expect further PTO guidance will address this latest eligibility decision, so incorporating its teachings into your drafting style now can only serve to help in any future eligibility battles your application may face at the PTO.

Only time and future appellate decisions will tell whether the eligibility decisions above represent a light at the end of the *Alice* rabbit hole or a statistical anomaly. Practitioners should closely monitor this evolving area of patent law in developing and maintaining best practices for surviving patent eligibility challenges. •