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The Impact of Fact Issues on Patent Eligibility after *Berkheimer*

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The Federal Circuit's 2018 decision in *Berkheimer v. HP Inc.* was likely the most consequential development in patent eligibility since the Supreme Court introduced its two-part eligibility framework in *Alice Corp. v. CLS Bank* and *Mayo Collaborative Services v. Prometheus Laboratories*. *Alice* and *Mayo* had a dramatic impact on patent law, paving the way for lower courts to invalidate thousands of claims from hundreds of patents for failure to claim patent-eligible subject matter under 35 U.S.C. § 101. *Berkheimer* tempers *Alice* and *Mayo* by imposing procedural requirements that may insulate patent claims from § 101 challenges.

Berkheimer emphasized that patent eligibility may turn on questions of fact and relied on the presence of such fact questions to partially vacate a district court's finding of ineligibility. The Federal Circuit simply did not find enough facts in the record to demonstrate ineligibility for some of the claims at issue. Post-*Berkheimer*, the potentially fact-intensive nature of the eligibility inquiry may prevent courts from resolving § 101 challenges early in litigation. Without early resolution, the costs of litigation increase dramatically, and patentees gain additional leverage to extract settlement payments from accused infringers. Patentees also gain additional time to marshal any evidence that may be relevant to the eligibility inquiry.

There is broad recognition that fact questions have more impact on patent eligibility outcomes after *Berkheimer*, but the extent of that impact is hotly contested. Patentees seek to maximize the role of fact questions by focusing on *Berkheimer*'s broad language, while patent challengers seek to minimize it by relying on prior and subsequent precedents that constrain *Berkheimer*'s holding. Although the Federal Circuit has applied *Berkheimer* narrowly in view of the overall body of precedent, lower courts that are less familiar with such precedent have

applied *Berkheimer* inconsistently. In some cases, lower courts have denied early § 101 motions as premature without considering whether the alleged fact questions are relevant under the proper legal standard.

Background

The Supreme Court's framework for determining patent eligibility, as explained in *Alice* and *Mayo*, has two steps. First, the Court determines whether the claim is directed to an ineligible concept such as an abstract idea or law of nature.¹ Second, the Court determines whether any additional claim limitations beyond the ineligible concept provide a contribution that is "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself."² This type of contribution is called an "inventive concept."³ Claim limitations fail to supply an inventive concept if they require only "well-understood, routine, conventional" activity.⁴ A claim that is directed to an abstract idea or natural law without an inventive concept is not patent-eligible under 35 U.S.C. § 101.

In *Berkheimer*, the Federal Circuit reiterated the established principle that "patent eligibility is ultimately a question of law," but further explained that the underlying question of "[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination."⁵ Addressing the patent at issue, the court identified certain "purported improvements" to computer technology that were described in the specification.⁶ The court held that these purported improvements, "to the extent they are captured in the claims, create a factual dispute regarding whether the invention describes well-understood, routine, conventional activities."⁷ Because four of the eight claims at issue in *Berkheimer* contained "limitations directed to the arguably unconventional inventive concept described in the specification," the court found that those claims raised a "genuine issue of material fact making summary judgment inappropriate."⁸ Accordingly, the Federal Circuit vacated the district court's grant of summary judgment of ineligibility on those four claims, but affirmed the ineligibility of the other four claims that did not recite the arguably unconventional limitations.⁹

There is tension between *Berkheimer* and *Alice*. The Supreme Court never stated in *Alice* that fact questions might impact the analysis, even though that case was decided at the summary judgment stage.¹⁰ Nor did the Supreme Court cite any evidence or engage in fact finding as part of its inventive concept analysis.¹¹ Seizing on this tension, the patent challenger in *Berkheimer* petitioned the Supreme Court for certiorari.¹² Six *amicus curiae* briefs were filed in support of the petition.¹³ The Supreme Court requested a response to the petition from the patent holder, and after receiving that response invited the Solicitor General to express the views of the United States.¹⁴ At the time this article was submitted for publication, the Supreme Court had not yet decided whether to grant certiorari.

Although *Berkheimer* identified no support in Supreme Court precedent for its holding that fact issues may preclude resolution of the § 101 inquiry, that holding was consistent with several previous decisions of the Federal Circuit. For example, the Federal Circuit noted in two earlier cases that that “the § 101 inquiry may contain underlying factual issues.”¹⁵ But in each of those cases, the Federal Circuit found that no material fact issues were present and affirmed the district court’s summary judgment of invalidity—so the recognition of potential fact issues was not essential to the holdings in those cases.¹⁶ As another example, the Federal Circuit reversed a district court’s finding of invalidity at the motion-to-dismiss stage in *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*.¹⁷ The court concluded that on the “limited record” there, the claimed method “cannot be said, as a matter of law, to have been conventional or generic.”¹⁸ By referencing the “limited record,” and leaving open the possibility that additional evidence would change the outcome, the court implicitly held that fact issues impacted the § 101 analysis.

Berkheimer makes *BASCOM*’s holding explicit, and expands on it. For example, after identifying the potential fact question underlying the § 101 analysis, *Berkheimer* goes on to state that this question must be resolved “by clear and convincing evidence.”¹⁹ Moreover, *Berkheimer* may be read to suggest that the fact question—whether claim limitations are “well-understood, routine, and conventional”—is dispositive of the entire inventive concept inquiry, as explained below.

Divergent Readings of *Berkheimer*

The Supreme Court explained in *Alice* that “well-understood, routine, conventional” limitations cannot supply an inventive concept.²⁰ But in a subtle shift, *Berkheimer*

changes from a negative criterion to a positive one: “The second step of the *Alice* test *is satisfied* when the claim limitations ‘involve more than performance of ‘well-understood, routine, [and] conventional activities’”²¹ This statement from *Berkheimer* may be read to suggest that unconventional claim limitations are not only *necessary* to provide an inventive concept, but *sufficient*.²² Under this reading, any claim limitation (or combination of limitations)²³ that is unconventional would automatically provide an inventive concept for purposes of determining eligibility. *Berkheimer*’s holding—affirming the ineligibility of half the claims at issue—shows that such a reading is unjustified, however. Furthermore, such a reading would be contrary to Federal Circuit and Supreme Court precedent.

In claim 1 of the patent at issue in *Berkheimer*, the claimed combination included certain undisputedly “conventional limitations” that were “combined with” other limitations not identified as conventional.²⁴ The Court never required the entire combination to be found in the prior art or otherwise deemed conventional, but instead held the claim invalid because it failed to “transform the abstract idea into a patent-eligible invention.”²⁵

The outcome for each claim in *Berkheimer* turned on whether the claim recited an “improvement in computer functionality.”²⁶ The ineligible claims provided no such improvement as a matter of law. The remaining claims arguably recited such an improvement because they required data to be stored in a “reconciled object structure” that allowed a computer system to operate more efficiently.²⁷ For those remaining claims only, whether the claimed combination was conventional presented a material question of fact.²⁸ Thus, *Berkheimer* itself shows that factual questions will not always be material to the § 101 analysis.

Reconciling *Berkheimer* with Other Precedent

If any unconventional combination of claim limitations automatically provided an inventive concept, then any claim that is novel over the prior art would satisfy § 101. The Supreme Court and Federal Circuit, however, have repeatedly held that novelty alone does not satisfy § 101.²⁹ *Berkheimer* did not purport to contradict or overrule any of this precedent. This is not surprising, because panels of the Federal Circuit are bound by both Supreme Court decisions and prior panel decisions.³⁰

In the wake of *Berkheimer*, the Federal Circuit has repeatedly clarified that its holding was narrow. One such clarification came in response to HP’s petition for *en banc* rehearing in *Berkheimer*. The court denied the petition, but the denial was accompanied by several written

opinions—including one opinion in which all of the judges from the original panel joined.³¹ In that opinion, Judge Moore explained: “Our decisions in *Berkheimer* and *Aatrix* are narrow: to the extent it is at issue in the case, whether a claim element or combination is well-understood, routine, and conventional is a question of fact.”³² As Judge Moore explained, fact questions are not always material to the § 101 inquiry and in such cases the Federal Circuit has “repeatedly recognized the absence of a genuine dispute as to eligibility.”³³ For example, when the “only alleged ‘inventive concept’ is the abstract idea,” it is irrelevant whether that idea is conventional.³⁴

The Federal Circuit provided another clarification in *BSG Tech LLC v. Buyseasons, Inc.*³⁵ The court stated that “the relevant inquiry is not whether the claimed invention as a whole is unconventional or non-routine.”³⁶ Addressing the claims at issue, the court explained:

Here, the only alleged unconventional feature of BSG Tech’s claims is the requirement that users are guided by summary comparison usage information or relative historical usage information. This, however, simply restates what we have already determined is an abstract idea. At *Alice* step two, it is irrelevant whether considering historical usage information while inputting data may have been nonroutine or unconventional as a factual matter. As a matter of law, narrowing or reformulating an abstract idea does not add “significantly more” to it.³⁷

Thus, any reading of *Berkheimer* that would deem claims patent-eligible simply because they recite an unconventional element or combination of elements appears to contradict both earlier and later precedent.

Litigating Fact Issues in View of *Berkheimer*

Despite the Supreme Court and Federal Circuit precedent that cautions against an expansive reading of

Berkheimer, patentees routinely advocate for such a reading. This is unsurprising given *Berkheimer*’s loose description of the circumstances in which *Alice* step two “is satisfied.”³⁸

The broad reading of *Berkheimer* is likely to persist, partly because it has gained traction with some district courts. For example, in *Kroy IP Holdings, LLC v. Groupon, Inc.*, a district court denied an early § 101 motion because “questions of fact remain as to whether the asserted claims of the ‘660 patent were conventional.”³⁹ This analysis was incorrect because, as the Federal Circuit explained in *BSG*, “the relevant inquiry is not whether the claimed invention as a whole is unconventional.”⁴⁰

To district courts, the broad reading of *Berkheimer* is likely to be attractive because it creates a shortcut for resolving early § 101 motions. As long as the patentee can point to some evidence that one or more claim elements was unconventional (or a lack of evidence showing otherwise), the motion can be denied. Denying § 101 motions in this way, however, leads to much higher litigation costs, which may be unjustified if the alleged fact issues are immaterial under the proper legal standard.

Conclusion

Unless the Supreme Court grants certiorari and reverses *Berkheimer*, accused infringers litigating § 101 motions should be prepared to explain the proper application of it and rebut any assertion that factual disputes automatically preclude an early finding of ineligibility. Patentees should be prepared to explain why the allegedly unconventional features of their claims add something “significantly more” to any ineligible concept to which they are directed—for example, because the unconventional features provide an “improvement in computer functionality.” Also, district courts should read *Berkheimer* in the context of the Supreme Court and Federal Circuit precedents that constrain its holding.

1. *Alice Corp. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2355 (2014).
2. *Id.*
3. *Id.*
4. *Id.* at 2359.
5. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1367 (Fed. Cir. 2018).
6. *Id.* at 1369.
7. *Id.*
8. *Id.* at 1370.
9. *Id.* at 1370–71.
10. 134 S. Ct. at 2353.
11. *Id.* at 2357–60.
12. See Supreme Court Docket in *HP Inc. v. Berkheimer*, Case No. 18-415 (“HP Docket”), <https://www.supremecourt.gov/docket/docketfiles/html/public/18-415.html>.
13. *Id.*

14. *Id.*
15. *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016); *Accenture Global Servs. GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013).
16. *Mortg. Grader*, 811 F.3d at 1325–26; *Accenture*, 728 F.3d at 1337–38.
17. 827 F.3d 1341 (Fed. Cir. 2016).
18. *Id.* at 1350.
19. *Berkheimer*, 881 F.3d at 1368.
20. *Alice*, 134 S. Ct. at 2359.
21. *Berkheimer*, 881 F.3d at 1367 (emphasis added).
22. This reading of *Berkheimer* is common among patent holders. For example, in comments submitted to the USPTO, the Intellectual Property Owners Association (IPO) stated its view of *Berkheimer* as follows: “To fail step two of the *Alice* test, a claim element (or combination thereof) must be ‘well understood, routine, and conventional.’” See, e.g., *Comments on the USPTO’s*

- Berkheimer Memorandum*, p.2 (Intellectual Property Owners Association, Aug. 20, 2018) (available at https://www.ipo.org/wp-content/uploads/2018/08/USPTO_Berkheimer-Memo-Response.pdf) (emphasis added).
23. *See id.* at 1368 (“The 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.”) (emphasis added).
 24. *Id.* at 1370.
 25. *Id.*
 26. *Id.*
 27. *Id.*
 28. *Id.*
 29. *See, e.g., Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1340 (Fed. Cir. 2017), *cert. denied*, 139 S. Ct. 378 (2018) (“Eligibility and novelty are separate inquiries.”); *Affinity Labs of Texas, LLC v. DirectTV, LLC*, 838 F.3d 1253, 1263 (Fed. Cir. 2016) (novelty “does not avoid the problem of abstractness”); *Genetic Techs. Ltd. v. Merial LLC*, 818 F.3d 1369, 1376 (Fed. Cir. 2016) (“a claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for patent eligibility”); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1352 (Fed. Cir. 2014) (abstract ideas are unpatentable “no matter how [g]roundbreaking, innovative, or even brilliant” they may be); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (the fact that a method was “not previously employed in this art is not enough—standing alone—to confer patent eligibility upon the claims”); *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1297 (2012) (even a truly groundbreaking abstract idea, like Einstein’s theory of relativity, cannot make a claim patent-eligible); *Diamond v. Diehr*, 450 U.S. 175, 190 (1981) (novelty is “wholly apart from whether the invention falls into a category of statutory subject matter” under § 101); *Parker v. Flook*, 437 U.S. 584, 587, 592-95 (1978) (a claim directed to an abstract idea was invalid even assuming “that respondent’s formula is novel and useful”).
 30. *See Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988) (“This court has adopted the rule that prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned *in banc.*”)
 31. *Berkheimer v. HP Inc.*, 890 F.3d 1369 (Fed. Cir. 2018) (denying reh’g *en banc*).
 32. *Id.* at 1374 (emphasis added).
 33. *Id.* at 1373–74.
 34. *Id.*
 35. 899 F.3d 1281 (Fed. Cir. 2018).
 36. *Id.* at 1290 (emphasis added).
 37. *Id.* (emphasis added).
 38. 881 F.3d at 1367 (emphasis added).
 39. 2018 WL 4905595, *16 (D.Del. Oct. 9, 2018) (Report & Recommendation); 2018 WL 6499675 (D. Del. Dec. 10, 2018) (adopting Report & Recommendation).
 40. 899 F.3d at 1290 (emphasis added).

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