ARE Patent Law Alert:
Federal Circuit Denies Rehearing En Banc and Confirms Patent Eligibility Relies Upon Factual Determinations

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On May 31, 2018, the U.S. Court of Appeals for the Federal Circuit denied petitions for rehearing *en banc* in both *Aatrix Software, Inc. v. Green Shades Software, Inc.,* 882 F.3d 1121 (Fed. Cir. 2018)and *Berkheimer v. HP Inc.,* 881 F.3d 1360 (Fed. Cir. 2018), with concurrences by Judge Moore and Judge Lourie, and a dissent by Judge Reyna. In parallel *en banc* requests, HP and Green Shades had raised similar questions as to whether the "threshold inquiry of patent eligibility under 35 U.S.C. § 101 is a question of law without underlying factual issues" that would avoid dismissal on a Rule 12(b)(6) motion or may prevent summary judgment.

Berkheimer

By way of background, on February 8, 2018, the Federal Circuit in *Berkheimer,* a three-judge panel in an opinion written by Judge Moore overturned a grant of summary judgment of patent ineligibility after determining that fundamental aspects of a patent eligibility analysis are based upon questions of fact.

After the Supreme Court's *Alice* decision in 2014, to determine a patent's eligibility, courts were instructed to determine whether a patent claims abstract ideas, laws of nature or natural phenomena. If answered in the affirmative, the elements of each claim, individually or combined, are considered to determine whether they "transform the nature of the claim" into a patent-eligible invention. 881 F.3dat 1367. This is satisfied when the claim limitations "involved more than performance of 'well-understood, routine, and conventional activities previously known to the industry." *Id.* Therefore, *Berkheimer* held that, although patent eligibility is ultimately a question of law, it may require an analysis of underlying factual questions, as the question of whether a claim element is "well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact." *Id*. at 1368. Since there was a factual dispute regarding specific claims as to whether they described well-understood, routine, and conventional activities, the Court vacated the summary

judgment that had found the claims to be patent ineligible. *Id*. at 1369.

Aatrix

Similarly, on February 14, 2018, another 3-judge panel of the Court issued a split decision in *Aatrix Software,* finding that factual questions precluded dismissal of the complaint on patent eligibility grounds. The majority decision, also authored by Judge Moore vacated the § 101 invalidity dismissal because the patent owner's proposed amended complaint adequately alleged that the claims contained an inventive concept and did not solely describe a "well-understood, routine and conventional activity." 882 F.3d at 1129. Therefore, since there were factual allegations in the second amended complaint, which when accepted as true, prevent dismissal pursuant to Rule 12(b)(6), the district court had erred in dismissing the initial complaint without granting the patent owner leave to amend. *Id.*

In a concurring and dissenting opinion by Judge Reyna, as pertinent here, he dissented with respect to "the majority's broad statements on the role of factual evidence in a § 101 inquiry. Our precedent is clear that the § 101 inquiry is a legal question. *See Intellectual Ventures I LLC v. Capital One Fin. Corp.,* 850 F.3d 1332, 1338 (Fed. Cir. 2017). In a manner contrary to that standard, the majority opinion attempts to shoehorn a significant factual component into the *Alice* § 101 analysis." *Id*. at 1130.

The Petitions for Rehearing

The losing defendants in both *Berkheimer* and *Aatrix* sought rehearing en banc to address similar questions.

The two questions raised by HP Inc. in *Berkheimer* were:

1. Is the threshold inquiry of patent eligibility under 35 U.S.C. § 101 a question of law without underlying factual issues that might prevent summary judgment?

2. Is the appropriate inquiry under *Alice* step 2 whether the claims transform an abstract idea into a patent-eligible application, or merely "whether the invention describes well-understood, routine and conventional activities"?

Similarly, Green Shades Software, Inc., the patent challenger in Aatrix, raised the following question:
Is the threshold inquiry of patent-eligibility under 35 U.S.C. § 101 a question of law without underlying factual issues based on complaint allegations pled to avoid dismissal under Fed. R. Civ. P. 12(b)(6)?

The Per Curiam Orders Denying The Petitions

In both *Berkheimer* and *Aatrix*, the Court issued a short *per curiam* order denying each petition for rehearing, rehearing en banc and ordered a date for the mandate to issue. Each order was accompanied by three decisions which offer insight into the current court's view on the role of fact finding in the context of patent-eligibility rulings.

Judge Moore's Concurrence, joined by Judges Dyk, O'Malley, Taranto and Stoll

Judge Moore (the author of *Berkheimer* and the majority in *Aatrix*) issued a concurring opinion, which was joined by Judges Dyk, O'Malley, Taranto and Stoll to reinforce her original decision. Judge Moore's concurrence observed, "*Berkheimer* and *Aatrix* stand for the unremarkable proposition that whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time is a question of fact." *Aatrix Software, Inc. v. Green Shades Software, Inc.*, No. 2017-1452, 2018 U.S. App. LEXIS 14395, at *2; *Berkheimer v. HP Inc.*, No. 2017-1437, 2018 U.S. App. LEXIS 14388, at *3.[1]Thus, while the ultimate question of patent eligibility is one of law, it may contain underlying issues of fact, which may require "weighing evidence to determine whether the additional limitations beyond the abstract idea, natural phenomenon, or law of nature would have been well-understood, routine, and conventional." *Id.* at *3-4.

In support of this conclusion, Judge Moore's concurrence explains that as a factual question, normal procedural standards for fact questions must apply, and that the Court is "not free to create specialized rules for patent law that contradict well-established, general legal principles." *Id*.at *5. Therefore, "if there is a genuine dispute of material fact, Rule 56 requires that summary judgment be denied." *Id.* at *5. Thus, if patent eligibility is challenged in a motion to dismissed for failure to state a claim pursuant to Rule 12(b)(6),

the standard consistently applied in all other areas of law must also be applied here. *Id.* at *7. In other words, the motion to dismiss for failure to state a claim must be denied if "in the light most favorable to the plaintiff...the complaint states any legally cognizable claim for relief." *Id*. at *7-8.

Ultimately, as found by the panels, Judge Moore's concurrence concludes, whether a claim element is well-understood, routine and conventional is a question of fact, and *Berkheimer* and *Aatrix* "merely hold that it must be answered under the normal procedural standards, including the Federal Rules of Civil Procedure standards for motions to dismiss or summary judgment and the Federal Rules of Evidence standards for admissions and judicial notice." *Id*. at *12-13.

Judge Lourie Concurrence, joined by Judge Newman

In a concurrence by Judge Lourie, and joined by Judge Newman, Judge Lourie explains his belief that "the law needs clarification by higher authority...to work its way out of what so many in the innovation field consider are § 101 problems." *Id.* at *13. Judge Lourie's concurrence stated that, "even if it was decided wrongly...it would not work us out of the current § 101 dilemma," as expresses his views the problem as stemming from the 2-step "inventive concept" patent eligibility analysis as set out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc*. Thus, he asserts that resolution of patent eligibility issues require higher intervention. *Id*. at *15, *18-19.

Judge Reyna Dissent

Judge Reyna, in dissent, argued that the *Aatrix* and *Berkheimer* decisions significantly alter the § 101 analysis "by presenting patent eligibility under § 101 as predominantly a question of fact" and offer no guidance to the questions they raise. *Id*. at *20, *33-34. Thus, he views that the inaction taken by denying the petitions has prevented the Court "from exploring the important questions" raised by both parties in their respective petitions for rehearing *en banc*. *Id*. at *33.

Practical Significance

For now, at least five members of the Court have endorsed the proposition that even though patent-eligibility may be a question of law, it may turn on underlying factual determinations which may not be summarily decided. While clearly at least Judge Reyna disagrees, he was unable to garner support from any of the remaining members of the Court (Chief Judge Prost, or Judges Wallach, Chen or Hughes), at least this time around. We can expect that Patent Office and lower courts to continue to apply *Berkheimer* and *Aatrix* for the foreseeable future.

It will be interesting to see how whether Congress or the Supreme Court will answer Judge Lourie's pleas to a "higher authority" to reconsider the law of patent-eligibility.

We will continue to monitor the law of patent-eligibility. In the meantime, please feel free to contact one of our attorneys regarding the issues raised in this case.

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[1] Given the similarity in questions raised, identical opinions were filed in response to the Aatrix and Berkheimer petitions for rehearing en banc. All following citations refer to *Aatrix Software, Inc. v. Green Shades Software, Inc.*, No. 2017-1452, 2018 U.S. App. LEXIS 14395 (Fed. Cir. May 31, 2018).