

# Overlooked Patent Cases: Lessons On Section 101 Motions

By **Brandon Rash, Andrew Schreiber and Brooks Kenyon** (September 22, 2020)

Before the U.S. Supreme Court's decision in *Alice Corp. v. CLS Bank International* in 2014, defendants in patent infringement cases rarely filed Federal Rule of Civil Procedure 12(b)(6) motions to dismiss for lack of patent eligibility under Title 35 of the U.S. Code, Section 101 — only one or two motions a year, if any.

## Trends Emerging in a Shifting Eligibility Landscape

In the five years since *Alice*, there has been a spike in these motions to over 75 in 2019, as district courts have been increasingly willing to resolve eligibility at the pleadings stage.

The invalidation rate under Section 101 at the pleadings stage, however, has not followed the same trajectory. It started high at over 60% in 2015 and has since trended downward to about 38% in 2019.

The U.S. Court of Appeals for the Federal Circuit's decisions in *Berkheimer v. HP Inc.*[1] and *Aatrix Software Inc. v. Green Shades Software Inc.*[2] contributed to this downward trend by bringing factual issues to the forefront.

But it is the district courts that are left to apply these decisions — determining whether factual disputes exist and, if not, whether Section 101 can be resolved as a matter of law. Recent, possibly overlooked district court decisions can therefore provide insight — not otherwise gleaned from *Berkheimer* and *Aatrix* — for patent owners facing, or preparing to face, Section 101 attacks at the pleadings stage, particularly in the high-tech space.

***Figure 1: Motions to Dismiss for Failure to State a Claim Based on Patent-Ineligible Subject Matter (Docket Navigator Analytics)***



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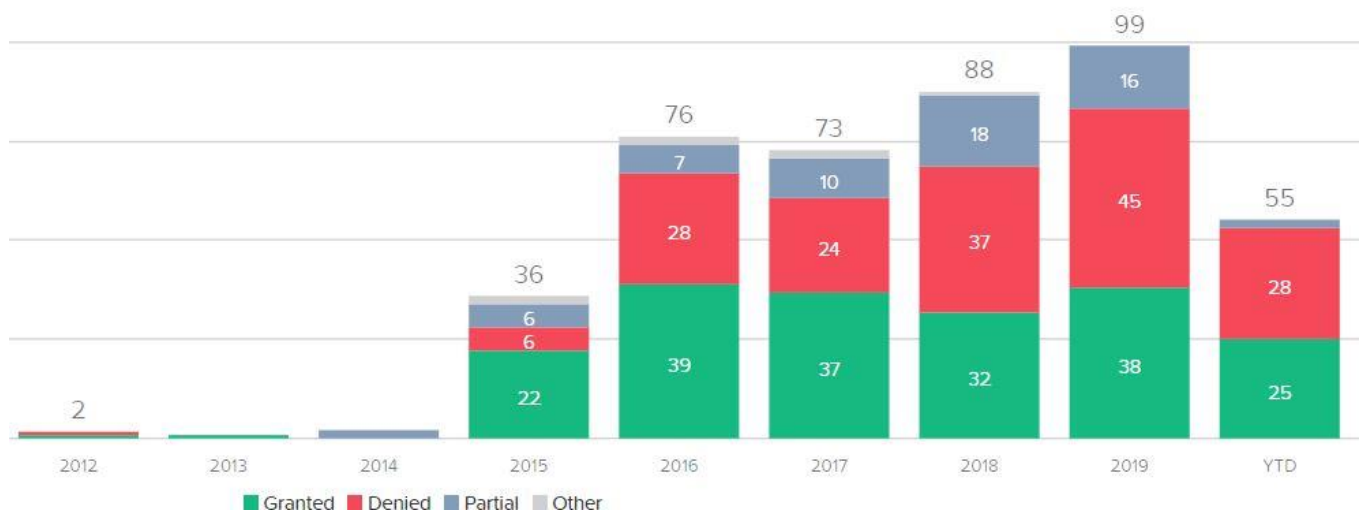


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## Motion Success



### Standard Practice

Under Rule 12(b)(6), a defendant can move to dismiss an action for failure to allege facts sufficient to state a claim for relief. The court can dismiss the action under Rule 12(b)(6) when no factual allegations, accepted as true, prevent resolving the Section 101 issue as a matter of law.

In deciding patent eligibility, courts apply a two-step framework to the patent claims. First, the court determines whether the claim, as a whole, is directed to patent-ineligible subject matter, such as an abstract idea or law of nature. Second, if it is, the court considers whether the claim contains an inventive concept sufficient to "transform the nature of the claim into a patent-eligible application."<sup>[3]</sup>

This two-step framework contains several underlying factual questions.<sup>[4]</sup> For example, in the high-tech space, the court may consider whether claim limitations — alone or in combination — demonstrate well-understood, routine or conventional activity; whether a claimed method is implemented with generic computing technology; or whether a proposed new application or computer-implemented function is an improvement to the capability of the system as a whole.<sup>[5]</sup>

As is true with all Rule 12(b)(6) motions, the facts in the complaint are taken as true, with all reasonable inferences drawn in favor of the nonmoving party.<sup>[6]</sup> But the court need not accept a legal conclusion couched as a factual allegation.<sup>[7]</sup> Nor does it need to accept allegations that contradict the face of the patent, exhibits to the complaint or information subject to judicial notice.<sup>[8]</sup>

Rather, pled facts must be plausible, specific and sufficiently concrete for an action to survive a Section 101 motion. There is therefore a critical difference between factual allegations accepted as true versus conclusory or boilerplate legal statements, which patent owners should consider when drafting both the patent application and the complaint.

### Drafting Patents to Survive Section 101 Attacks

Patent owners should draft high-tech and other computer-implemented patents with an eye toward subject matter eligibility, highlighting, for example, an implementation of a particular machine or way of programming software to achieve the invention.

These inventive features should be evident in the claim language so that particular improvements can be clearly alleged in a complaint. The claims should recite an improvement to the computer or technology itself and not merely use a computer or other conventional technology as a tool.[9]

Patent drafters should also consider describing in the specification how the invention is a technological improvement over the prior art. This sort of information is not required in the specification as long as it is clearly provided by the claims and well-pled allegations in the complaint. But a detailed specification may prove more difficult for defendants to overcome at the pleadings stage.[10]

### **Lessons From District Court Litigation**

Once a patent is drafted, patent owners should consider several key strategies to survive Section 101 challenges in litigation and, ultimately, enforce their rights. Patent owners should first consider which venues fit their strategic litigation needs and are less inclined to grant Rule 12(b)(6) motions under Section 101, particularly if the patent owner believes a defendant will file an early motion.

As demonstrated in Figure 2, the U.S. District Court for the Eastern District of Texas is generally more favorable to patent owners than other popular patent litigation venues, such as the U.S. District Courts for the Northern District of California and the District of Delaware.

**Figure 2: Success Rate of Motions to Dismiss for Failure to State a Claim Based on Patent-Ineligible Subject Matter by Certain District Courts**

	2016	2017	2018	2019	2020 YTD
<b>E.D. Tex.</b>	56%	47%	17%	29%	0%
<b>D. Del.</b>	21%	11%	36%	33%	48%
<b>N.D. Cal.</b>	40%	50%	29%	63%	86%
<b>C.D. Cal.</b>	56%	67%	23%	25%	67%

After selecting an appropriate venue, patent owners should consider addressing eligibility in their complaint by articulating the claimed improvements and inventive aspects of the patent. Patent owners must ensure, however, that the allegations in the complaint are not wholly divorced from the patent claims and its specification.

For example, in *Orcinus Holdings LLC, v. Synchronoss Technologies Inc.*,[11] the Northern District of California underscored that attorney argument was not a proper substitute for a well-pled complaint. Attorney argument may not create a factual dispute or save the patent when the purported improvements are not captured in the claim language.[12]

Patent owners should also attach the patent as an exhibit to the complaint. This way, patent owners can align the allegations in their complaint with support from the specification — including figures[13] and tables — for specific technological improvements and reasons why the claims are patent eligible.

In *DiStefano Patent Trust III LLC v. LinkedIn Corp.*, the U.S. District Court for the District of Delaware granted a Section 101 motion to dismiss because the allegations in the complaint were inconsistent with the plain language of the patent. There, the complaint alleged that the claims "resolve technical problems related to a streamlined process for developing web pages and posting those web pages on the internet," but the court found that "the asserted claims do not describe with any detail how to create web pages or create links on a web page, or provide any details surrounding the database associated with the computer hardware system." [14]

In cases in which the complaint provides no support beyond tying generic allegations to an abstract idea, the patent owner may risk having the complaint dismissed with prejudice — particularly, after having multiple opportunities to amend the complaint. [15]

If a patent owner seeks to bolster improvements alleged in the complaint, the patent owner should consider attaching an expert declaration. The declaration should clearly define the inventive aspect and demonstrate — in a nonconclusory fashion — where the nonabstract technological improvements are found. [16]

Some district courts have leaned on these declarations when analyzing Section 101 at the pleadings stage, especially when the patent is otherwise silent. For instance, in the District of Delaware case *Sapphire Crossing LLC v. Quotient Technology Inc.*, the challenger argued that the patent owner's eligibility assertions were "untethered" from the patent because the patent was "silent as to the inventiveness of [the] 'merging' limitation." [17]

Yet, despite this omission, the magistrate judge noted that the gap had been filled by an attached expert declaration with no immediately apparent inconsistency between the declaration and the patent itself. [18] The judge therefore recommended that the Section 101 motion be denied because a fact issue existed.

A patent owner may also rely on extrinsic evidence not in the complaint that is subject to judicial notice. This may include items like the patent's prosecution history [19] and general historical observations. [20] As the U.S. District Court for the Western District of Texas observed:

Patent [e]ligibility questions mostly involve general historical observations, the sort of findings routinely made by courts deciding legal questions. ... Therefore, the Magistrate Judge's ... use of taking judicial notice of well-known, general historical observations was not error. [21]

This is consistent with similar observations that courts make in finding that claims are directed to abstract ideas, such as fundamental economic practices and commercial or legal interactions.

## **Conclusion**

Motions to dismiss based on patent-eligible subject matter are on the rise, and practitioners should be cognizant of this evolving landscape. Considering the district court guidance above, patent owners can draft their patent applications and complaints to develop issues of

fact and defend against Section 101 motions to dismiss.

In the first instance, inventors should seek out proper, fulsome patent prosecution to ensure their patent is not directed to abstract matters. Should litigation arise, patent owners should emphasize in their complaints how the invention provides a technological improvement in the field using concrete, nonconclusory allegations, with an expert declaration in support if necessary to fill in any remaining holes.

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[1] *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

[2] *Aatrix Software Inc. v. Green Shades Software Inc.*, 882 F.3d 1121 (Fed. Cir. 2018).

[3] *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217-18 (2014).

[4] *Aatrix*, 882 F.3d at 1128 ("While 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.").

[5] *Wanker v. United States*, 146 Fed. Cl. 582, 591 (Fed. Cl. 2020).

[6] *Boyle v. United States*, 200 F.3d 1369, 1372 (Fed. Cir. 2000); see also *MAZ Encryption Techs. LLC v. Blackberry Corp.*, No. 13-304-LPS, 2016 U.S. Dist. LEXIS 134000, at \*15 (D. Del. Sept. 29, 2016) (finding that, for a Rule 12(b)(6) motion, "the Court must take the specification's statements about the purported invention to be true" and was "not free to accept Defendant's contrary attorney argument that [the claim at issue] is directed to a 'conventional' way of transparent encryption").

[7] See *Boom! Payments, Inc. v. Stripe, Inc.*, No. 19-cv-00590-VC, 2019 U.S. Dist. LEXIS 211552, at \*3-4 (N.D. Cal. Nov. 19, 2019) ("Boom insists that factual allegations in the complaint preclude dismissal, but some of the allegations it points to are legal conclusions . . . For example, the Court is not bound by Boom's assertion that the claims 'do not merely recite computers carrying out business practices that could plausibly be performed by humans.'").

[8] See *Secured Mail Sols., LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 913 (Fed. Cir. 2017); see also *IPA Techs., Inc. v. Amazon.com, Inc.*, 352 F. Supp. 3d 335, 349 (D. Del. 2019) ("I am not required to treat boilerplate allegations that the claims are directed to new computer functionality and improvements to technological processes as true where those allegations contradict the language of the claims and specification. Moreover, these boilerplate allegations do not change the fact that the 'specification is replete with references to implementing the claims using conventional technology.'") (internal citations omitted).

[9] *Customedia Techs., LLC v. Dish Network Corp.*, 951 F.3d 1359, 1364 (Fed. Cir. 2020).

[10] *Nice Ltd. v. CallMiner, Inc.*, No. 18-2024-RGA-SRF, 2020 U.S. Dist. LEXIS 20516, at \*18 (D. Del. Feb. 3, 2020) (noting the specification supports the allegations in the operative complaint and describes inventive features captured in the claim language), report and recommendation adopted, No. 18-cv-2024-RGA, 2020 U.S. Dist. LEXIS 54777 (D. Del. Mar. 30, 2020).

[11] 379 F. Supp. 3d 857, 882 (N.D. Cal. 2019).

[12] *Id.* ("[A]ttorney argument cannot save the Patent because the purported improvements over the prior art have not been captured in the claim language.").

[13] See, e.g., *Thompson v. TCT Mobile, Inc.*, No. 19-899-RGA-SRF, 2020 U.S. Dist. LEXIS 55863, at \*14 (D. Del. Mar. 31, 2020).

[14] *DiStefano Patent Trust III, LLC v. LinkedIn Corp.*, 346 F. Supp. 3d 616, 626 (D. Del. 2018).

[15] See *Thompson*, 2020 U.S. Dist. LEXIS, at \*29-31 (D. Del. Mar. 31, 2020).

[16] See, e.g., *S.I.SV.EL Societa Italiana Per Lo Svilippo Dell'Eletronica S.p.A v. Rhapsody Int'l. Inc.*, No. 18-69-MN-CJB, 2019 U.S. Dist. LEXIS 69891, at \*16 (D. Del. Apr. 24, 2019) (granting dismissal in the early § 101 summary judgment context "where Plaintiff's expert . . . asserts that the claims' features/elements/components were 'unconventional when taken alone' or were individually 'unconventional' or were 'previously unknown' in the field, that is literally all he says—his statements on this point are purely conclusory").

[17] No. 18-1717-MN-CJB, 2020 U.S. Dist. LEXIS 57033, at \*10-11 (D. Del. Apr. 1, 2020) (internal citations omitted).

[18] *Id.*

[19] *Realtime Adaptive Streaming LLC v. Netflix, Inc.*, No. 17-1692-CFC-SRF, 2018 U.S. Dist. LEXIS 209132, at \*29 (D. Del. Dec. 12, 2018).

[20] See *Affinity Labs of Tex., LLC, v. Amazon.com, Inc.*, 2015 U.S. Dist. LEXIS 77411, at \*13 n.5 (W.D. Tex. 2015), affirmed by, 838 F.3d 1266 (Fed. Cir. 2016).

[21] *Id.* at \*25 n.12.