



# BUSINESS AS USUAL AFTER BERKHEIMER?

ERIC M. ACKER, JOHN R. LANHAM, AND KARINA N. PUNDEFF

**R**oughly one year ago, the Federal Circuit's decision in *Berkheimer v. HP Inc.*<sup>1</sup> launched a score of articles, client alerts, and blog posts. The court's reversal of a § 101 ineligibility ruling based on a perceived factual dispute at the summary judgment stage captured the attention of the patent litigation bar: Was the Federal Circuit signaling a more conservative approach to patentability challenges? Were early § 101 motions—a frequent defense following *Alice Corp. v. CLS Bank International*<sup>2</sup>—still viable? With the possibility of Supreme Court review still on the horizon, we examine both quantitative and qualitative metrics to determine whether, and how, the *Berkheimer* decision has actually impacted patent litigation.

## ***Berkheimer v. HP Inc.***

Not all inventions are patentable. Abstract ideas, laws of nature, and natural phenomena fall into judicially created exceptions to subject matter that can be patented under 35 U.S.C. § 101. A series of Supreme Court rulings, culminating in the 2014 *Alice Corp.* decision, reinvigorated this doctrine by requiring all claims to pass a two-step

analysis: (1) whether the claim is directed to patent-ineligible subject matter and (2) if so, whether there is “something more” to the claim that transforms the idea into a patentable invention.<sup>3</sup>

Following *Alice*, § 101 patentability challenges have become a core defense for accused infringers. Computer-implemented method patents and life science patents are particularly vulnerable to § 101 motions because they often relate to abstract ideas (such as processing data or financial information) or natural phenomena (such as the operation of the human body). And—unlike highly fact-specific invalidity, noninfringement, or unenforceability defenses—challenges under § 101 typically have been asserted at the outset of patent litigation as motions on the pleadings and decided as a matter of law. Since 2012, district courts have decided over 600 patent-eligibility motions, over 75 percent of which were styled as motions to dismiss or motions for judgment on the pleadings. *Berkheimer*, as an appeal from summary judgment, was a statistical outlier from these cases. Nonetheless, the Federal Circuit's reasoning in *Berkheimer* raised questions of whether patent eligibility would remain an important early (or even pre-trial) defense.

*Berkheimer* concerned a patent to a method for digitally processing and archiving files.<sup>4</sup> Following claim construction, HP moved for summary judgment that the asserted claims 1 to 7 and 9 were patent-ineligible under the abstract-idea exception. The district court granted the motion and *Berkheimer* appealed.

The Federal Circuit agreed with the district court that the claims were directed to the abstract idea of parsing, comparing, storing, and editing data, and therefore did not satisfy step one of the *Alice* analysis. The Federal Circuit also agreed with the district court as to

*Alice* step two for claims 1 to 3 and 9, holding that Berkheimer had admitted the claimed parsers were known and conventional.

As to claims 4 through 7, however, the Federal Circuit held that there was a genuine issue of fact as to whether the claims “perform well-understood, routine, and conventional activities to a skilled artisan.” In so holding, the court pointed to portions of the patent specification that could distinguish the claimed storage techniques from those in existing asset-management systems.

In deciding that one of the primary inquiries of *Alice* step two could be a fact question, *Berkheimer* drew significant attention from the patent litigation bar and raised concerns that the ruling would open the floodgate of “factual dispute” oppositions to early stage § 101 motions. The Electronic Frontier Foundation, for example, submitted an amicus curiae brief for the Supreme Court’s certiorari decision, observing that *Berkheimer* “threatens to undo” the Court’s work in *Alice* and “has consequences that go far beyond the particular facts of this case.”<sup>5</sup>

Following denial of rehearing en banc, HP sought a writ of certiorari. In January 2019, the Supreme Court called for the views of the solicitor general, a development that makes certiorari substantially more likely.

### Motion Outcomes Before and After *Berkheimer*

To provide one metric on the impact of *Berkheimer*, we looked at § 101 motion outcomes before and after the Federal Circuit’s decision, based on a search of orders ruling on patent-eligibility challenges.

If *Berkheimer* were the significant change that some believed, we would presumably see a marked difference in motion outcomes. If anything, however, the data demonstrates the opposite. In the 12 months preceding *Berkheimer*, there were 131 available district court decisions granting or denying motions challenging pleadings and dispositive motions based on § 101. Of those orders, 61 were granted, 53 were denied, and 17 were granted in part and denied in part: a 53 percent loss rate.<sup>6</sup>

Conversely, in the 10 months post-*Berkheimer*, there were 126 available district court decisions on dispositive motions turning on § 101. Of the 126 orders, 48 were granted, 55 were denied, and 23 were granted in part and denied in part: a 62 percent loss rate. An increased loss rate of only 9 percent after *Berkheimer* strongly suggests that the decision has not materially impacted the ways in which district courts actually decide patent-eligibility challenges.

### Post-*Berkheimer* Federal Circuit Decisions

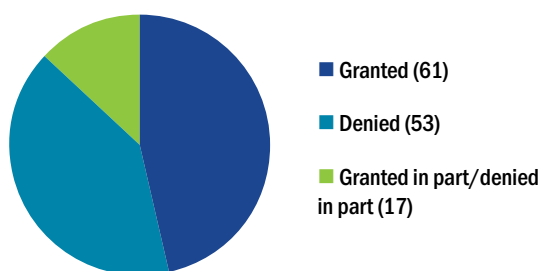
Of course, performing a nationwide survey of motion success rate does not provide insight into the basis for those outcomes. To provide more insight on the qualitative impact of *Berkheimer*, we examine the particular holdings from select Federal Circuit and district court decisions.

Post-*Berkheimer* decisions from the Federal Circuit stop short of treating *Berkheimer* as a sea change. For example, the Federal Circuit in *BSG Tech LLC v. Buyseasons Inc.* acknowledged *Berkheimer*’s holding regarding factual disputes.<sup>7</sup> But the court quickly distinguished *Berkheimer* and treated the analysis as a question of pure law. Unlike *Berkheimer*, the court looked to whether the purportedly inventive concept (i.e., guiding users with summary or historical usage information) was itself abstract. Concluding that it was, the court found it unnecessary to consider whether there was a factual dispute as to inventiveness. *BSG Tech*’s holding seemingly sets the outer bounds for the application of *Berkheimer*.

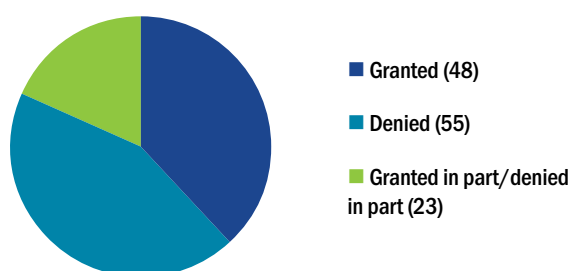
The Federal Circuit recently went a step further in a nonprecedential decision in *Glasswall Solutions Ltd. v. Clearswift Ltd.*<sup>8</sup> In that case, seeking to take advantage of the *Finjan*<sup>9</sup> line of cases, the patent owner both pleaded and submitted a declaration asserting that its methods were “novel” and “improve the technology used in electronic communications.” The district court nonetheless granted a motion to dismiss on § 101 grounds. The Federal Circuit affirmed, ruling that the patent owner’s assertions were “not factual in nature, but conclusory legal assertions which the district court was not bound to accept as true.” As with *BSG Tech*, the Federal Circuit has indicated a reluctance to postpone eligibility rulings based on potentially manufactured issues of fact.

Similarly, the Federal Circuit in *SAP America Inc. v. InvestPic LLC* explicitly reaffirmed that eligibility under § 101 “may be, and frequently has been, resolved on a Rule 12(b)(6) or (c) motion where the undisputed facts, considered under the standards required by that Rule, require a holding of ineligibility.”<sup>10</sup> The *Glasswall* and *SAP* cases may be contrasted with *Aatrix Software Inc. v. Green Shades Software Inc.*, which issued just a week after *Berkheimer*. The majority opinion in that case, by Judge Kimberly A. Moore (also the author of *Berkheimer*), reversed the district court’s § 101 dismissal on the basis of factual allegations made in the plaintiff’s proposed amended complaint.<sup>11</sup>

District Court Decisions on Dispositive Motions Based on § 101 in 12 Months Before *Berkheimer*



District Court Decisions on Dispositive Motions Based on § 101 in 12 Months After *Berkheimer*



In deciding petitions for rehearing, some Federal Circuit judges have also discussed their individual views of the issues raised by *Berkheimer*. In the petition for rehearing en banc of *Berkheimer*, five concurring judges (Judges Moore, Timothy K. Dyk, Kathleen M. O'Malley, Richard G. Taranto, and Kara F. Stoll) sought to confine the scope of the *Berkheimer* decision, stating that “in a situation where the specification admits the additional claim elements [beyond a law of nature or abstract idea] are well-understood, routine, and conventional, it will be difficult, if not impossible, for a patentee to show a genuine [factual] dispute.”<sup>12</sup> The same group of judges also issued an opinion accompanying the denial of rehearing en banc in *Aatrix*, again emphasizing that “nothing in [the *Berkheimer*] decision should be viewed as casting doubt on the propriety” of other cases resolving patent eligibility on motions to dismiss or summary judgment.<sup>13</sup> (“Since *Berkheimer* and *Aatrix*, we have continued to uphold decisions concluding that claims were not patent eligible at these stages.”)

### Post-Berkheimer District Court Decisions

Like decisions from the Federal Circuit, district court decisions post-*Berkheimer* are mixed, but reflect no *per se* rule against threshold § 101 determinations, even where the patentee contends there are disputes of fact.

In *Pure Data Systems LLC v. Ubisoft Inc.*,<sup>14</sup> the district court denied a motion to dismiss based on the presence of the plaintiff's concrete allegations pertaining to an inventive concept under *Alice* step two. Other denials of § 101 motions have been presented in a *Berkheimer* framework but were fundamentally about the movant's failure to meet its burden. For example, in *TMI Solutions v. Bath & Body Works Direct Inc.*, the court denied a motion to dismiss where defendants did not establish that the asserted claims employed routine technology and where the patent specification supported the presence of an inventive concept.<sup>15</sup> Likewise, in *Guada Tech. LLC v. Vice Media LLC* the district court denied a request for summary judgment where the defendant did not present authority demonstrating that the limitations were conventional.<sup>16</sup> This, the court explained, was a “factual issue” that remained “an open question,” obligating it to deny the motion to dismiss.

Many district courts, however, have not been persuaded by patent owners' *Berkheimer* arguments. Some such decisions focus on the plaintiff's attempt to manufacture factual disputes to avoid dismissal. In *Uniloc USA v. Apple Inc.*, the district court distinguished *Berkheimer* and held that “the instant motion tees up no factual dispute” over whether the claim is well understood and the that plaintiff “attempt[ed] to manufacture a factual question.”<sup>17</sup> Similarly, the district court in *Search and Social Media Partners LLC v. Facebook Inc.* rejected the patent owner's claim that factual issues prevented judgment, finding “no factual allegations here that, taken as true, prevent[ed] resolving the eligibility question as a matter of law.”<sup>18</sup>

Other decisions rejecting *Berkheimer* arguments have focused on the patent owner's own admissions, either in the specification or in litigation. In *DiStefano Patent Trust III LLC v. LinkedIn Corp.*, the court granted a motion to dismiss based in part on the plaintiff's admissions during oral argument and failure to allege any facts supporting an inventive concept beyond “boilerplate legal conclusion[s].”<sup>19</sup> And in *TriPlay Inc. v. WhatsApp Inc.*, the court found no basis in the specification for asserting an inventive concept and no concrete allegations in the complaint to fill the gap.<sup>20</sup> The

district court in *Symantec Corp. v. Zscaler Inc.* found a similar problem with the patent owner's *Berkheimer* argument: The patents themselves did not establish that their methods were unconventional, therefore establishing that an amended complaint with further inventiveness allegations would be futile.<sup>21</sup>

### Early § 101 Motions Still Alive and Well

Thus, contrary to some early assessments of the *Berkheimer* decision, challenges to patent eligibility are still viable early in litigation. In fact, the data shows that accused infringers are succeeding in early motions at almost the same rate post-*Berkheimer*. And, while a uniform practice has not yet arisen, district courts in many instances are policing attempts to manufacture factual disputes to avoid dismissal, and the Federal Circuit has clarified—and possibly curtailed—*Berkheimer*'s core holding.

As of the preparation of this article, the Supreme Court has invited the views of the solicitor general on *Berkheimer* certiorari, but has not yet decided whether it will hear the case. The solicitor general is likely to submit a response in time for the Supreme Court to decide certiorari before its summer break, though a delay until early fall is possible. ☉



*Eric Acker is a partner in Morrison & Foerster LLP's Intellectual Property Group and a member of the American College of Trial Lawyers. John Lanham is a senior associate in the firm's Intellectual Property Group and focuses his practice on commercial and patent litigation. Karina Pundeff is an associate in the firm's litigation group. © 2019 Eric Acker, John Lanham, and Karina Pundeff. All rights reserved.*

### Endnotes

<sup>1</sup>*Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

<sup>2</sup>*Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, (2014).

<sup>3</sup>*Id.* at 217.

<sup>4</sup>*Berkheimer*, 881 F.3d at 1362.

<sup>5</sup>Brief for the Electronic Frontier Foundation as Amicus Curiae Supporting Petitioners at 2, *Berkheimer*, 881 F.3d 1360.

<sup>6</sup>The loss rates were calculated using decisions tracked by Docket Navigator by first combining the outright denials and the decisions granting in part and denying in part the dispositive motions. The partial grants and denials were considered a win for the patent holder because, in those decisions, at least one claim survived the dispositive motion. That number was then divided by the total number of decisions on dispositive motions. Given the treatment of partial grants as losses, this methodology likely overstates the impact of *Berkheimer*. The loss rate not including the partial decisions—only the outright denials—is 40 percent pre-*Berkheimer* and 44 percent post-*Berkheimer*.

<sup>7</sup>*BSG Tech LLC v. Buyseasons Inc.*, 899 F.3d 1281, 1290 (Fed. Cir. 2018).

<sup>8</sup>*Glasswall Sols. Ltd. v. Clearswift Ltd.*, No. 2018-1407, 2018 WL 6720014, at \*2 (Fed. Cir. Dec. 20, 2018) (nonprecedential) (internal

citations omitted).

<sup>9</sup>*Finjan Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (2010).

<sup>10</sup>*SAP Am. Inc. v. InvestPic LLC*, 890 F.3d 1016, 1020 (Fed. Cir. 2018).

<sup>11</sup>*Aatrix Software Inc. v. Green Shades Software Inc.*, 882 F.3d 1121, 1123 (Fed. Cir. 2018).

<sup>12</sup>*Berkheimer*, 890 F.3d at 1371 (concurring opinion).

<sup>13</sup>*Aatrix*, 890 F.3d at 1358.

<sup>14</sup>*Pure Data Sys. LLC v. Ubisoft Inc.*, 329 F. Supp. 3d 1054, 1059 (N.D. Cal. 2018).

<sup>15</sup>*TMI Sols. v. Bath & Body Works Direct Inc.*, 329 F. Supp. 3d 1054, 1059 (N.D. Cal. 2018).

<sup>16</sup>*Guada Tech. LLC v. Vice Media LLC*, No. 17-1503, 2018 WL 4441460, at \*6 (D. Del. Sept. 17, 2018).

<sup>17</sup>*Uniloc USA v. Apple Inc.*, No. C 18-00358, 2018 WL 2287675, at \*7 (N.D. Cal. May 18, 2018).

<sup>18</sup>*Search & Social Media Partners LLC v. Facebook Inc.*, No. 17-1120, 2018 WL 4674572, at \*8 (D. Del. Sept. 28, 2018).

<sup>19</sup>*DiStefano Patent Trust III LLC v. LinkedIn Corp.*, No. 17-1798, 2018 WL 4674571, at \*7 (D. Del. Sept. 28, 2018).

<sup>20</sup>*TriPlay Inc. v. WhatsApp Inc.*, No. 13-1703, 2018 WL 1479027, at \*12 (D. Del. Mar. 27, 2018).

<sup>21</sup>*Symantec Corp. v. Zscaler Inc.*, No. 17-cv-04426, 2018 WL 3539267, at \*3 (N.D. Cal. July 23, 2018).

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appeals. 28 U.S.C. § 158; 1st Cir. BAP L.R. 8005-1.

<sup>20</sup>*In re Tempnology LLC*, 559 B.R. 809, 822-23 (B.A.P. 1st Cir. 2016).

<sup>21</sup>*In re Tempnology LLC*, 879 F.3d 389, 404 (1st Cir.), cert. granted in part sub nom. *Mission Prod. Holdings Inc. v. Tempnology LLC*, 139 S. Ct. 397 (2018).

<sup>22</sup>*Tempnology*, 879 F.3d at 402 (citing *NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 528 (1984)).

<sup>23</sup>*Tempnology*, 879 F.3d at 402-03.

<sup>24</sup>*Id.*

<sup>25</sup>The author is not suggesting the Court's approach to statutory construction has changed in the past two years, only that analyzing more recent decisions may be more instructive.

<sup>26</sup>*Lamar, Archer & Cofrin LLP v. Appling*, 138 S. Ct. 1752, 1757 (2018).

<sup>27</sup>*Id.* at 1759.

<sup>28</sup>*Ransom v. FIA Card Servs. N.A.*, 562 U.S. 61, 69 (2011).

<sup>29</sup>*Appling*, 138 S. Ct. at 1759.

<sup>30</sup>*Merit Mgmt. Gp. LP v. FTI Consulting Inc.*, 138 S. Ct. 883, 892 (2018).

<sup>31</sup>11 U.S.C. § 546 (e) provides: "Notwithstanding sections

544, 545, 547, 548(a)(1)(B), and 548(b) of this title, the trustee may not avoid a transfer that is a margin payment, as defined in section 101, 741, or 761 of this title, or settlement payment, as defined in section 101 or 741 of this title, made by or to (or for the benefit of) a commodity broker, forward contract merchant, stockbroker, financial institution, financial participant, or securities clearing agency, or that is a transfer made by or to (or for the benefit of) a commodity broker, forward contract merchant, stockbroker, financial institution, financial participant, or securities clearing agency, in connection with a securities contract, as defined in section 741(7), commodity contract, as defined in section 761(4), or forward contract, that is made before the commencement of the case, except under section 548(a)(1)(A) of this title."

<sup>32</sup>*Merit Mgmt.*, 138 S. Ct. at 897.

<sup>33</sup>*Czyzewski v. Jevic Holding Corp.*, 137 S. Ct. 973, 983, (2017).

<sup>34</sup>*Id.* (citation omitted).

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#### Key Tools in Patent Disputes continued from page 49

IPR2015-01092, Paper 19 at 4 (PTAB Sept. 25, 2015).

<sup>28</sup>*Mentor Graphics Corp. v. Quickturn Design Sys. Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998).

<sup>29</sup>*Arista Networks Inc. v. Cisco Sys. Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (quoting 35 U.S.C. § 311(a)).

<sup>30</sup>*Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258 (Fed. Cir. 2014).

<sup>31</sup>*Id.*

<sup>32</sup>*Phigenix Inc. v. Immunogen Inc.*, 845 F.3d 1168 (Fed. Cir. 2017).

<sup>33</sup>*JTEKT Corp. v. GKN Auto. LTD.*, 898 F.3d 1217 (Fed. Cir. 2018), petition for cert. filed (U.S. Dec. 7, 2018) (No. 18-750).

<sup>34</sup>35 U.S.C. § 315(b).

<sup>35</sup>*Click-to-Call Techs. LP v. Ingenio Inc.*, 899 F.3d 1321, 1336 (Fed. Cir. 2018).

<sup>36</sup>*Bennett Regulator Guards Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311, 1314-15 (Fed. Cir. 2018).

<sup>37</sup>*Infiltrator Water Techs. LLC v. Presby Patent Tr.*, IPR2018-00224, Paper 18 (P.T.A.B. Oct. 1, 2018).

<sup>38</sup>See, e.g., *Robert Bosch Tool Corp. v. SD3 LLC*, IPR2016-01751,

Paper 15 (P.T.A.B. Mar. 22, 2017).

<sup>39</sup>*Applications in Internet Time LLC v. RPX Corp.*, 897 F.3d 1336, 1351 (Fed. Cir. 2018).

<sup>40</sup>*Sirius XM Radio Inc. v. Fraunhofer-Gesellschaft zur Förderung der Angewandten Forschung E.V.*, IPR2018-00689, Paper 11 at 5-6 (P.T.A.B. Sept. 21, 2018).

<sup>41</sup>*RPX Corp. v. Publ'g Techs. LLC*, IPR2018-01131, Paper 10 (P.T.A.B. Dec. 3, 2018).

<sup>42</sup>*Unified Patents Inc. v. Mobility Workx LLC*, IPR2018-01150, Paper 9 (P.T.A.B. Dec. 3, 2018).

<sup>43</sup>*Tesco Offshore Servs. Inc. v. Weatherford/Lamb Inc.*, IPR2018-01308, Paper 19 (P.T.A.B. Dec. 10, 2018).

<sup>44</sup>*Arm Ltd. v. Advanced Micro Devices Inc.*, IPR2018-01148, Paper 16 (P.T.A.B. Dec. 12, 2018); *Tesco Offshore Servs.*, IPR2018-01308, Paper 19.

<sup>45</sup>35 (P.T.A.B. Dec. 10, 2018) U.S.C. § 315(e)(2).

<sup>46</sup>*Id.* § 316(e).

<sup>47</sup>See *Intelligent Bio-Sys. Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359 (Fed. Cir. 2016).