

Are Questions Of Fact Being Overlooked In Software Cases?

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Defendants have used 35 U.S.C. § 101 as a powerful tool to short-circuit infringement cases involving software patents since the U.S. Supreme Court's proclamation in *Alice Corp. Pty. Ltd. v. CLS Bank*.^[1] Emboldened by recent appellate decisions, they are filing dispositive motions at the onset of litigation that assert a patent claims patent-ineligible subject matter. District court judges have granted many of these motions, often tossing software cases before meaningful fact discovery has been completed and before conducting a claim construction hearing.^[2]

The manner and timing of these dismissals raises an important question that has not yet been raised or addressed: Can a Section 101 analysis present questions of fact? One key to the early resolution of software cases since the Supreme Court's *Alice Corp.* decision is that the question of whether a patent claim is ineligible under 35 U.S.C. § 101 has been treated by the courts as a purely legal one. If a question of fact is implicated, however, it must be resolved by a trier of fact by weighing evidence and credibility. District courts would then be prevented, at least in some instances, from dismissing cases under Section 101 so quickly.

Section 101 defines the subject matter eligible for patent protection. To its broad grant of eligibility, the courts have long recognized an implicit exception — namely, that “[l]aws of nature, natural phenomena, and abstract ideas are not patentable.”^[3] In *Alice Corp.*, the Supreme Court articulated a new framework when it determined that any claim drawn to an abstract idea and lacking an inventive concept is invalid for failure to claim patent-eligible subject matter.^[4] The Federal Circuit recently applied the new test in *Ultramercial Inc. v. Hulu LLC*,^[5] which was remanded for further consideration in light of *Alice Corp.*, and invalidated patent claims covering a “method for distributing copyrighted media products over the Internet.”^[6]

The *Ultramercial* decision is noteworthy because the Federal Circuit found the same claims patentable on two separate occasions prior to the Supreme Court's *Alice Corp.* decision.^[7] It also signaled a potential shift in the Federal Circuit's approach to Section 101. In particular, Judge H. Robert Mayer's concurrence declares Section 101 a “threshold question” and invites early challenges to patentability.^[8]



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But, what neither the Supreme Court nor the Federal Circuit have addressed is whether the Section 101 inquiry is factual, legal, or both. If it involves a factual determination, and the parties dispute an issue of material fact, the fact-finder needs to fully examine the relevant evidence prior to reaching a conclusion. Defendants in these circumstances would face a more significant challenge in obtaining Section 101's relief during a litigation's infancy.

Moreover, the role of fact-finder is sometimes reserved for the jury. The Seventh Amendment guarantees a jury trial on certain factual issues.[9] In interpreting the Seventh Amendment, the Supreme Court has long-held that "[t]he right of trial by jury ... is the right which existed under the English common law when the amendment was adopted." [10] A two-part analysis is used to determine whether the right to a trial by jury exists.

First, courts ask whether the cause of action "was tried at law at the time of the founding or is at least analogous to one that was." [11] Second, "[i]f the action in question belongs in the law category, we then ask whether the particular trial decision must fall to the jury in order to preserve the substance of the common-law right as it existed in 1791." [12] When no clear answer to the second prong can be found, courts are forced to make a judgment call "without the benefit of any foolproof test." [13] Several guiding factors include the relative interpretive skills of the judge and jury, which judicial actor is better positioned to pass judgment on the question, the desire for uniformity, and extending deference to the trial judge. [14]

The Supreme Court's application of this framework in *Markman v. Westview Instruments Inc.*, [15] which decided whether claim construction presents a question of law or fact, is instructive. Under the first prong, there was no dispute that patent infringement cases were tried to a jury in the 18th century. [16] By comparison, the second prong raised a much more difficult question — whether claim construction, a small part of the larger jury trial, is a jury issue.

The court began by seeking the closest analogy to claim construction in the 18th century patent practice. This search was complicated by the fact that patents during this time did not include claims as required by modern patent laws. [17] Instead, patent trials turned on the specification. Thus, the court could not find an "established jury practice sufficient to support an argument by analogy that today's construction of a claim should be a guaranteed jury issue." [18]

Turning to functional considerations, the court acknowledged that if an issue "falls somewhere between a pristine legal standard and a simple historical fact, the fact versus law distinction at times has turned on a determination that, as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question." [19] The court concluded that judges, with their extensive legal training in the construction of written instruments, were better positioned to construe terms found in a patent's claims. [20]

The totality of Section 101's patent eligibility analysis, however, seems less legal in nature than claim construction. The first prong of the right to a jury trial inquiry is identical because patent infringement cases in the 18th century were tried to a jury. But, applying the second prong to the Section 101 patent ineligibility question introduces more subjectivity. The authors' search resulted in no clear 18th century analogues to assessing whether a patent claimed an abstract idea. Therefore, functional considerations are likely to control the analysis.

The interpretive skills of the judge, it can be argued, are less important for abstractness questions than claim construction. The latter involves reading the four corners of a document and using the knowledge

gleaned from it to illuminate the meaning of various terms. According to the Supreme Court, on the other hand, answering the abstractness question involves identifying whether the patent claims an abstract idea, and, if so, whether it nonetheless embodies an inventive concept that prevents it from claiming the abstract idea itself. Analyzing this standard likely requires answers to several underlying questions:

- What is an abstract idea in the patent’s field of invention? The answer may necessitate both factual and industry-specific knowledge to gain an understanding of the technical context and relationship between a potentially abstract idea and the technology area within which it pertains.
- What is the extent of the subject matter covered by the patent? This inquiry, which may involve claim construction, centers on the totality of subject matter covered by the patent’s claims. It may also require ascertaining which potential instrumentalities are covered, and might be akin to asking whether a product is covered by the patent’s claims — a jury question.
- What constitutes an inventive concept in the patent’s field of invention? To answer this question, understanding the technological context of the invention and the state of the prior art are important. Some comparison to the prior art and the capabilities of a person having ordinary skill in the art at the time of the invention may be required to show that a patent lacks an inventive concept.
- Is the covered subject matter coterminous with the identified abstract idea or are inventive concepts included? Here, an answer could require industry-specific knowledge to understand the relationship and boundary between an alleged abstract idea and a claim that includes non-abstract concepts.

Unlike the interpretation of terms in a legal instrument, it can be argued that none of these inquiries stand out as particularly well-suited for judges as opposed to juries. They are based more on technical realities, contextual awareness of a technical field, and common sense than on legal acumen. Of course, credibility issues may also arise if testimony is proffered to explain things like the technical field at issue, the line between abstract and concrete ideas, the scope of the invention and its relationship to abstract and concrete concepts, and the state of the art.

Given these numerous subquestions, perhaps a more appropriate comparison for the Section 101 inquiry is to the obviousness doctrine. Although “ultimately a question of law,” obviousness is “premised on underlying issues of fact, including: (1) the scope and content of the prior art; (2) the level of ordinary skill in the pertinent art; (3) the differences between the claimed invention and the prior art; and (4) objective evidence such as commercial success, long-felt need, and the failure of others.” [21]

The determinations underpinning the identification of abstract patent claims are arguably similar to the factual inquiries underlying obviousness. Searching for an inventive concept includes an analysis that

may be likened to determining the scope and content of the prior art. Additionally, identifying the overlap between the claimed invention and an abstract concept is comparable to parsing the differences between the claimed invention and the prior art. The close relationship between a patent-eligibility inquiry and known fact issues underlying an obviousness determination, for example, raises a question about the assumption that abstractness under Section 101 is a purely legal question.

Since the Supreme Court's Alice Corp. decision, district courts appear motivated to use Section 101 to swiftly resolve cases involving software patents perceived to lack merit. Defendants are delighted because the expense of discovery, infringement and invalidity contentions, claim construction, motion practice, and a trial can be avoided. But, this practice might place the proverbial cart in front of the horse. To put it another way, in an effort to weed out meritless patents and conserve scant judicial resources, the federal judiciary may be glossing over factual issues that require more detailed consideration and usurping the decision-making power allocated to the jury by the Constitution.

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[1] 134 S. Ct. 2347 (2014).

[2] See, e.g., Cogent Med. Inc. v. Elsevier Inc., No. 13-4479, (N.D. Cal. Sept. 30, 2014) (“Here, the court finds that claim construction is not necessary to determine whether the [patent in suit] claims patent-eligible subject matter. The court thus declines to delay resolution of the § 101 issue.”).

[3] Ass’n for Molecular Pathology v. Myriad Genetics Inc., 133 S. Ct. 2107, 2116 (2013); see also Le Roy v. Tatham, 14 How. 156, 174-75 (1853).

[4] See id. at 2355 (defining inventive concept as “an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself’” (alteration in original) (quoting Mayo Collaborative Servs. v. Prometheus Labs. Inc., 132 S. Ct. 1289, 1294 (2012))).

[5] _ F.3d _ (Fed. Cir. Nov. 14, 2014).

[6] Id. at *1.

[7] Id. at *1-2.

[8] See id. at *7 (Mayer, J., concurring) (“[W]hether claims meet the demands of 35 U.S.C. § 101 is a threshold question, one that must be addressed at the outset of litigation.”).

[9] U.S. Const. amend. VII.

[10] *Baltimore & Carolina Line Inc. v. Redman*, 295 U.S. 654, 657 (1935).

[11] *Markman v. Westview Instruments Inc.*, 517 U.S. 370, 376 (1996).

[12] *Id.*

[13] *Id.* at 377.

[14] See *id.* at 377-91; *Miller v. Fenton*, 474 U.S. 104, 113-17 (1985).

[15] 517 U.S. 370 (1996).

[16] See *id.* at 377.

[17] *Id.* at 378-79.

[18] *Id.* at 380.

[19] *Id.* at 388 (quoting *Miller*, 474 U.S. at 114).

[20] *Id.* at 388-89.

[21] *Warner Chilcott Co. v. Teva Pharm. USA Inc.*, ___ F.3d ___, at *3 (Fed. Cir. Nov. 18, 2014); see also *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007).
