https://www.law360.com/ip/articles/1173620/fed-circ-ruling-may-mean-higher-bar-for-alice-motions

Fed. Circ. Ruling May Mean Higher Bar For Alice Motions

By **Ryan Davis**

Share us on: By **Ryan Davis**

Law360 (July 1, 2019) -- It could become tougher to invalidate patents under Alice following a Federal Circuit decision that held issued patents have a presumption of eligibility, while also highlighting a way patent owners can defeat early motions that claim their inventions cover only abstract ideas.

In a **decision Tuesday**, the appeals court vacated a California judge's dismissal of Cellspin Soft's suits against Fitbit and others over four patents for connecting a digital camera to a mobile device. It said the lower court wrongly held that patents are not presumed to be patent-eligible, and also failed to credit Cellspin's allegations that the patents are not invalid under Alice because they contain an inventive concept.

Taken together, those two holdings should give patent owners more ammunition to fight back when those accused of infringement seek early court rulings that the patent claims nothing more than an abstract idea under Section 101 of the Patent Act, attorneys say.

"When defendants try to get rid of patents on a motion to dismiss, this might make district courts a little bit more hesitant to grant them," said Stephen McBride of Oblon McClelland Maier & Neustadt LLP. "It gives patent owners a little more of a road map as to how to overcome those kinds of motions. So overall, it is helpful to them."

There is a general presumption that patents are valid, based on the idea that U.S. Patent and Trademark Office examiners are expected to have properly done their job when issuing patents. Those arguing a patent is obvious or anticipated thus need clear and convincing evidence to overcome the presumption.

However, prior to this ruling, the Federal Circuit had never definitively held that the same presumption applies when a patent is alleged to cover patent-ineligible subject matter like abstract ideas. The question had divided the lower courts since the U.S. Supreme Court's 2014 Alice v. CLS Bank decision, with several holding there is no such presumption.

Many judges cited a 2014 **concurring opinion** by Federal Circuit Judge Haldane Robert Mayer with no force of law, which took the view that "no presumption of eligibility should attach when assessing whether claims meet the demands of Section 101" because the USPTO had "for many years applied an insufficiently rigorous subject matter eligibility standard."

That passage was cited by U.S. District Judge Yvonne Gonzalez Rogers of the Northern District of California, who held Cellspin's patents claimed an ineligible abstract idea. However, the Federal Circuit soundly rejected that view of the presumption on Tuesday, writing that to the extent the lower court concluded "that issued patents are presumed valid but not presumed patent eligible, it was wrong to do so."

In reaching its conclusion, the Federal Circuit cited its Berkheimer v. HP **decision** from last year, which held that the patent eligibility issue may involve factual questions that can preclude a motion to dismiss, and those facts must be proven by clear and convincing evidence.

The Cellspin decision has now "made clear in a precedential ruling that the 'presumption of validity' and the 'clear and convincing' standards apply to 101 rulings," said Keith McNally, president of Ameranth Inc., a company whose patents have been challenged on eligibility grounds. "This is really important, since up until today, the issue had never been clearly or firmly established by the Federal Circuit and district court judges have been left without guidance as to both these critical issues."

With a clear statement from the Federal Circuit that patents are presumed eligible, the ruling sets a somewhat higher bar for accused infringers seeking to invalidate patents under Alice and "may make it a little more difficult to get over that hurdle on a motion to dismiss stage," McBride said.

However, since the Federal Circuit had already held that ineligibility must be proven by clear and convincing evidence, "I think that this is really the natural consequence of Berkheimer," said Charles R. Macedo of Amster Rothstein & Ebenstein LLP.

Potentially more impactful is another part of the decision about the type of evidence from patent owners that is sufficient to defeat a motion to dismiss on eligibility grounds, which "to me is a much bigger holding," he said.

In Berkheimer, the Federal Circuit held that factual questions about whether an invention is "well-understood, routine and conventional" can preclude a judge from resolving the issue of eligibility on an early motion, since if an invention does not meet that description, it cannot be found invalid.

Cellspin presented evidence that it said showed its invention was inventive and unconventional and provided benefits over previous systems of connecting electronic devices. However, Judge Gonzalez Rogers discounted those allegations on the ground that Cellspin had not cited support for them in the patent's specification, also known as the written description.

The Federal Circuit said the judge erred by not accepting Cellspin's "plausible, factual allegations" as true, writing that "as long as what makes the claims inventive is recited by the claims, the specification need not expressly list all the reasons why this claimed structure is unconventional."

While arguments about inventiveness that are "wholly divorced from the claims or the specification" cannot defeat a motion to dismiss, the court said, "plausible and specific factual allegations that aspects of the claims are inventive are sufficient."

What had been happening up to this point, Macedo said, is that those challenging patents have argued that because the patent owner did not write out in the specification that the invention is unconventional or solves specific problems, it is grounds for the patent to be found ineligible. The Federal Circuit's ruling means that if patentees can prove the invention has benefits, that's enough, regardless of whether they are spelled out in the specification, he said.

That is "more appropriate place for the law to be," he said. "There shouldn't be gamesmanship about draftsmanship. The question should be: Is the invention deserving of protection?"

As a result of the decision, if the patent owner can put up a good technical explanation of why the claims are unconventional and do not cover an abstract idea, "they now have a wider array of evidence that they can rely upon" beyond the language in the specification, he said.

By bolstering the arguments that patent owners can use to defeat early motions seeking to invalidate patents under Alice, the decision raises the possibility that the factual questions related to patent eligibility may soon start being put to juries.

"A jury trial is kind of the logical conclusion of the Alice law," McBride said.

Explaining the murky standards for eligibility like what constitutes an abstract idea and an inventive concept could be difficult, so accused infringers may decide to do it only when they feel they have a particularly strong case, he said.

"I wouldn't be surprised to see it happen in the next year or two somewhere," McBride said. "I don't know that it will be something that happens a lot because I think it would be messy to deal with it in front of a jury. But that's the implication from where these cases are going."

Macedo said the factual questions involved in eligibility seem to him to be appropriate for a jury and are similar to the inquiry about whether a patent is invalid as obvious. However, there's a possibility that judges could treat the issue similarly to claim construction, which also involves factual issues but is not sent to jurors, he noted.

"I'm curious where we're going to end up. Is it for the jury to decide whether those factual disputes are real?" he said.

For now, the Cellspin ruling continues the trend begun in Berkheimer and other cases toward making Alice challenges more difficult for accused infringers to win early in a case.

"I don't think this is the death knell for Alice motions, but I do think it makes it a little easier to overcome them for patent owners," McBride said.

The case is Cellspin Soft Inc. v. Fitbit Inc. et al., case number 18-2178, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Philip Shea and Alanna Weissman.