§101 Today: Challenges and Strategies

Yar Chaikovsky
Bill James
Mika Reiner Mayer
Bhanu Sadasivan
Honorable Jon Tigar
2019: Section 101 in Life Sciences– The Confusion Continues

Bhanu Sadasivan

Patent Litigator @ McDermott, Will & Emery LLP
2018: Treatment v. Diagnostic Claim Dichotomy

- Treatment claims found patent eligible
  - *Vanda v Westward* (Fed. Cir. Apr. 13, 2018)

- Diagnostic claims found patent ineligible
  - *Genetic Veterinary v. LABOklin* (E.D. Va May 14, 2018)
2019: Treatment v. Diagnostic Claim Dichotomy?

- Treatment claims found patent eligible
- But treatment claim also found ineligible

- Diagnostic claims found patent ineligible
  - *Cleveland Clinic v. True Health* (Fed. Cir. Apr. 1, 2019)
  - *Genetic Veterinary v. LABOklin* (Fed. Cir. Aug. 9, 2019)
- But five of the Federal Circuit judges find Athena claims patent eligible
Federal Circuit Judges Disagree on What Mayo Requires

- “If I could write on a clean slate, I would write as an exception to patent eligibility, as respects natural laws, only claims directed to the natural law itself, e.g., $E=mc^2$, $F=ma$, Boyle’s Law, Maxwell’s Equations, etc. I would not exclude uses or detection of natural laws.”

- “But we do not write here on a clean slate; we are bound by Supreme Court precedent.”

  -- Judge Lourie (Athena en banc denial)
Federal Circuit Judges Disagree on What \textit{Mayo} Requires

- “None of my colleagues defend the conclusion that claims to diagnostic kits and diagnostic techniques, like those at issue, should be ineligible. The only difference among us is whether the Supreme Court’s \textit{Mayo} decision requires this outcome. The majority of my colleagues believe that our hands are tied and that \textit{Mayo} requires this outcome. I believe \textit{Mayo} does not.”

-- Judge Moore (\textit{Athena en banc} denial)
2019: Section 101 in Technology

Yar Chaikovsky
Global Co-Chair Intellectual Property – Partner, Litigation Department @ Paul Hastings LLP
Recent § 101 Cases (Technology)

• 11/15/19: Koninklijke KPN N.V. v. Gemalto M2M GmbH
• 10/3/19: Am. Axle & Mfg. v. Neapco Holdings, LLC
• 8/16/19: MyMail, Ltd. v. ooVoo, LLC
• 7/3/19: Athena Diagnostics, Inc. v. Mayo Collaborative Servs.
• 6/25/19: Cellspin Soft, Inc. v. Fitbit, Inc.
KPN v. Gemalto
(Nov. 15, 2019)

Judges Dyk, Chen, and Stoll

• Dependent claims 2-4 held not directed to abstract idea at Alice step 1, but rather to an improved check data generating device that enables detection of previously undetectable systematic transmission errors

• Independent claim 1 not appealed

• “Importantly, Appellees do not dispute that varying the way check data is generated provides an improvement to an existing technological process.”

• Prior art: use same check data generating function on both ends of data transmission to detect errors; does not detect systematic errors

• Patent for varying the check data generating function to detect systematic errors
KPN v. Gemalto
(Nov. 15, 2019)

Claims:
1. A device for producing error checking based on original data provided in blocks with each block having plural bits in a particular ordered sequence, comprising:
   a generating device configured to generate check data; and
   a varying device configured to vary original data prior to supplying said original data to the generating device as varied data;
   wherein said varying device includes a permutating device configured to perform a permutation of bit position relative to said particular ordered sequence for at least some of the bits in each of said blocks making up said original data without reordering any blocks of original data.
2. The device according to claim 1, wherein the varying device is further configured to modify the permutation in time.
3. The device according to claim 2, wherein the varying is further configured to modify the permutation based on the original data.
4. The device according to claim 3, wherein the permutating device includes a table in which subsequent permutations are stored.
Am. Axle v. Neapco
(Oct. 3, 2019)

Judges Dyk, Taranto, and Moore (dissenting)

• Patent for method of manufacturing driveline propeller shafts with liners designed to attenuate vibrations
• Liners can be tuned by changing mass and stiffness to damp propshaft vibrations
• Prior art methods existed to tune each of three types of vibrations: bending, torsion, and shell mode vibrations, but not two modes simultaneously
• Plaintiff’s inventive concept: tuning liner to produce frequencies that dampen both shell and bending mode vibrations simultaneously
• District court: claims directed to laws of nature: Hooke’s law and friction damping
• Hooke’s law: equation that describes relationship between mass, stiffness, and vibration frequency
1. A method for manufacturing a shaft assembly of a driveline system, the driveline system further including a first driveline component and a second driveline component, the shaft assembly being adapted to transmit torque between the first driveline component and the second driveline component, the method comprising:

   - providing a hollow shaft member;
   - tuning at least one liner to attenuate at least two types of vibration transmitted through the shaft member; and
   - positioning the at least one liner within the shaft member such that the at least one liner is configured to damp shell mode vibrations in the shaft member by an amount that is greater than or equal to about 2%, and the at least one liner is also configured to damp bending mode vibrations in the shaft member, the at least one liner being tuned to within about ±20% of a bending mode natural frequency of the shaft assembly as installed in the driveline system.

* * *

22. A method for manufacturing a shaft assembly of a driveline system, the driveline system further including a first driveline component and a second driveline component, the shaft assembly being adapted to transmit torque between the first driveline component and the second driveline component, the method comprising:

   - providing a hollow shaft member;
   - tuning a mass and a stiffness of at least one liner, and
   - inserting the at least one liner into the shaft member;

wherein the at least one liner is a tuned resistive absorber for attenuating shell mode vibrations and wherein the at least one liner is a tuned reactive absorber for attenuating bending mode vibrations.
Am. Axle v. Neapco
(Oct. 3, 2019)

Judges Dyk, Moore (dissenting), and Taranto

- Plaintiff argued that system of invention not mere application of Hooke’s law
- The claims don’t instruct *how* to produce the multiple frequencies required to achieve dual-damping or tune a liner to dampen bending mode vibrations
- Nor does the specification, which discloses an example of a tuned liner, but not how it was tuned
- **Held**: claims ineligible as directed to utilization of a natural law (Hooke’s law and possibly other natural laws)
- Dissent accuses majority of misrepresenting the record and fact finding on appeal to the patentee’s detriment
Chamberlain v. Techtronic Indus.
(Aug. 21, 2019)

Judges Lourie, O’Malley, and Chen

- Garage openers transmit status information wirelessly to lights, sensors, alarms, and displays
- Only improvement over prior art is communicating wirelessly
- Uses “well understood” and off-the-shelf wireless transmitters for intended purpose
- At Alice step 1, directed to abstract idea of wirelessly communicating status information about a system
  - Similar to Affinity Labs of Texas, LLC v. Amazon.com (systems that deliver streaming content to device directed to abstract idea)
  - Distinguished from McRo and DDR Holdings because no improvement in relevant technology
  - Distinguished from Core Wireless because no specific manner of performing abstract idea recited
- At Alice step 2, no inventive concept where the only inventive aspect is wireless communication—the abstract idea itself
Mymail v. Oovoo
(Aug. 16, 2019)

Judges Lourie (dissenting), O’Malley, and Reyna

• Parties disputed meaning of “toolbar” in claims
• Plaintiff: based on specification, “toolbar” meant “button bar that can be dynamically changed or updated via a Pinger process or a MOT script,” which defendants disputed
• District court opinion did not construe any terms
• District court opinion decided after Aatrix without addressing Aatrix (court must either adopt non-movant’s constructions or resolve construction dispute to the extent needed for § 101 analysis)
• Held: “the district court erred by failing to address the parties’ claim construction dispute before concluding, on a Rule 12(c) motion, that the MyMail patents are directed to patent-ineligible subject matter under § 101”
Mymail v. Oovoo
(Aug. 16, 2019)

Judges Lourie, dissenting:

• Clearly abstract regardless of claim construction; why remand for claim construction?

• Similar to Electric Power Group because claims use off-the-shelf conventional computer, network, and display technology

• Claims’ breadth cover any toolbar modification on any device using generic servers and the internet

• Abstract idea: sending data over the internet between a device and server and changing the device’s display accordingly

• Pinger process consists of conventionally sending data (software version) to server regularly and then having server conventionally return data (updated software) when server determines toolbar is out-of-date. Specification concedes that MOT is not a meaningful acronym
Athena v. Mayo

(Nov. 26, 2019)

• Petition for rehearing en banc denied
• 8 concurring and dissenting opinions
• Post-Mayo, the Federal Circuit has held every single diagnostic claim ineligible
• All judges agree that at least some diagnostic claims should be eligible; see Judge Moore’s dissent for compelling policy arguments in favor of patent eligibility for diagnostics
• Majority believe that Mayo controls; dissenting judges argue that Mayo has been interpreted too broadly
• Many judges expressly called on Congress and/or the Supreme Court to change the law
• “No need to waste resources with additional en banc requests. Your only hope lies with the Supreme Court or Congress.” (Moore, J., dissenting)
Judges Lourie, O’Malley, and Taranto:

- **Step 1**: Agreed with the district court: “we have consistently held that similar claims reciting the collection, transfer, and publishing of data are directed to an abstract idea.”
- **Step 2**: “The district court erred with respect to the inventive concept inquiry, however, by ignoring allegations that, when properly accepted as true, preclude the grant of a motion to dismiss.”
- **Two-step, two-device structure unconventional**: Plaintiff alleged unconventional to separate capturing and publishing steps so that each step performed by different devices wirelessly
- Benefit of two-step, two-device structure over the prior art: makes the capture device smaller, cheaper to build, simpler, and allows users to access data if capture device is physically inaccessible
Cellspin Soft v. Fitbit
(June 25, 2019)

Judges Lourie, O’Malley, and Taranto:

• Plaintiff also alleged inventive concept as an ordered combination based on the need for pairing before data was transmitted, and the use of HTTP by an intermediary device and while the data was in transit

• District court discounted plaintiff’s alleged inventive concept because it was not in specification

• Plausible and specific factual allegations that aspects of the claims are inventive are sufficient to defeat motion to dismiss

• “In this case, Cellspin made specific, plausible factual allegations about why aspects of its claimed inventions were not conventional, e.g., its two-step, two-device structure requiring a connection before data is transmitted. The district court erred by not accepting those allegations as true.”
2019 Revised Patent Subject Matter Eligibility Guidance

Bill James
Patent Prosecutor @ Van Pelt, Yi & James LLP
“The growing body of precedent has become increasingly more difficult for examiners to apply in a predictable manner”
Subject Matter Eligibility

2014-2018 Paradigm

- Unified theory of subject matter eligibility
  - Explain and be consistent with evolving precedent
  - Deductive framework in tension with inductive mandate
- In practice, 101 rejection common in s/w, med dx
  - 101 “escape” room
  - Presumed ineligible unless like a case found eligible OR
  - Technical problem + solution

2019 Guidelines & Examples

- Restated test arguably more consistent with precedent
- Presumed eligible unless like cases found ineligible
- Safe harbors/off ramps
  - Integrated into practical app’n
    - Even if not that new/inventive
    - Not preemptive?
  - Technical problem + solution
- In practice, far fewer and/or easily overcome 101 rejections
101 Rejections pre-2019

Figure 1: Share of Office Actions Including a 101 Subject Matter Rejection

Source: Colleen Chien, Professor, Santa Clara University Law School @ patentlyo.com
101 Rejections pre-2019

Figure 2: Share of Abandoned Applications with a 101 SM rejection in the last office action pre-Abandonment

Source: Colleen Chien, Professor, Santa Clara University Law School @ patentlyo.com
Effect as of mid-2019

Source: Gaudry & Hayim @ ipwatchdog.com
Effect as of mid-2019

Source: Gaudry & Hayim @ ipwatchdog.com
2019 Guidelines: Judicial Exception

• Revised Step 2A analysis
  – Does the claim recite a judicial exception?
  – Is the claim “directed to” the judicial exception?
  – If both “yes”, proceed to Step 2B,
    • Else subject matter of claim is eligible
Recite Judicial Exception?

“Prong One” of revised Step 2A

• Judicial exception types:
  – Laws of nature
  – Natural phenomena
  – Abstract idea

• Abstract ideas “grouped as”
  – Mathematical concept
  – Certain methods to organize human activity
  – Mental processes
  – Other? Only in “rare circumstances”/with approval
“Directed to” Judicial Exception?
“Prong Two” of revised Step 2A

• Claim is *not* directed to a recited judicial exception if “integrated into a practical application of the judicial exception”

• If not “integrated into a practical application”, proceed to Step 2B
  – “inventive concept”
  – not merely well-understood, routine, conventional activity
Integrated into a Practical Application?

Integrated (non-exhaustive)
- Improves functioning of computer/other technology
- Effects particular treatment or prophylaxis
- Uses with particular machine/manufacture that is integral to the claim
- Transforms to different state or thing
- Uses in some meaningful way beyond generally linking

Not Integrated
- Merely recites “apply it” or implement by computer
- Insignificant extra-solution activity (but counts in 2B)
- Just “generally links” to a particular technological environment or field of use
Specific Language of Interest

• “[I]n Prong One, examiners are now to:
  (a) Identify the specific limitation(s) in the claim... that the examiner believes recites the abstract idea; and
  (b) determine whether the identified limitation(s) falls within the subject matter groupings of abstract ideas
Specific Language of Interest

• Re Prong Two:

“A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.”
Tension between USPTO and Courts?

• Claims that recite judicial exception the USPTO finds “integrated into a practical application” by reciting only that which is “well-understood, routine, conventional activity”

• Preemption
  – But USPTO examples narrow quite a bit

• What will PTAB judges do?

• Will filings and patents increase? How will that impact courts? How will they respond?
How to Navigate the New Terrain?

• Serve both masters: USPTO and Courts
• Get broadest claims you can from USPTO, but also claims you’re confident will survive challenges in Court and at PTAB
• Technical problem + solution still works
• Don’t preempt use of judicial exception
• Include technical details and tell the story as to what they add and why they matter
Panel Discussion
## Trends on § 101 Motions

Since 2012, how many § 101 motions have been granted by district courts?

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Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” and “Motion for Summary Judgment – Invalidity” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; not including JMOL or Rule 12(c) Motions.
Trends on § 101 Motions

Since 2012, what percent of § 101 motions have been granted?

Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” and “Motion for Summary Judgment – Invalidity” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; not including JMOL or Motions to Dismiss under Rule 12(c)
# Trends on § 101 Motions

Federal Circuit § 101 Decisions Since *Alice*

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Source: Data from USPTO Chart of Subject Matter Eligibility Court Decisions (updated October 17, 2019), available at https://www.uspto.gov/sites/default/files/documents/ieg-sme_crt_dec.xlsx
Trends on § 101 Motions

Federal Circuit § 101 Decisions since Alice

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Trends on § 101 Motions

• Since Alice, how many § 101 motions have been granted by district?

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Trends on § 101 Motions

D. Del. § 101 Motions Since Alice

52% Grant
48% Deny

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Trends on § 101 Motions

§ 101 Motions Since *Alice*

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Trends on § 101 Motions

E.D. Tex. § 101 Motions Since Alice

- Grant: 38%
- Deny: 62%

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Trends on § 101 Motions

- How have *Berkheimer* and *Aatrix* affected Rule 12(b)(6) grants/denial rates?

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Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; using February 14, 2018 as cut-off date for pre/post-*Berkheimer/Aatrix*
Trends on § 101 Motions
District Courts Rule 12(b)(6) Motions

Pre-Berkheimer/Aatrix

Grant: 47%
Deny: 53%

Post-Berkheimer/Aatrix

Grant: 58%
Deny: 42%

Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; using February 14, 2018 as cut-off date for pre/post-Berkheimer/Aatrix
Trends on § 101 Motions

- How have Berkheimer and Aatrix affected Rule 12(b)(6) grants/denial rates by district?

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Trends on § 101 Motions

D. Del. Rule 12(b)(6) Motions

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Trends on § 101 Motions
E.D. Tex. Rule 12(b)(6) Motions

Pre-Berkheimer/Aatrix
- Grant: 51%
- Deny: 49%

Post-Berkheimer/Aatrix
- Grant: 18%
- Deny: 82%

Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; using February 14, 2018 as cut-off date for pre/post-Berkheimer/Aatrix
Trends on § 101 Motions

N.D. Cal. Rule 12(b)(6) Motions

Pre-Berkheimer/Aatrix

- Grant: 61%
- Deny: 39%

Post-Berkheimer/Aatrix

- Grant: 50%
- Deny: 50%

Source: Docket Navigator data as November 27, 2019 for “Motions to Dismiss – Failure to State a Claim (FRCP 12(b)(6))” involving Legal Issue “Unpatentable Subject Matter (35 USC § 101)”; using February 14, 2018 as cut-off date for pre/post-Berkheimer/Aatrix
Trends on § 101 Motions

Federal Circuit Rule 12(b)(6) Appeals

From *Alice* to *Berkheimer/Aatrix*

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Since *Berkheimer/Aatrix*

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## Trends on § 101 Motions

District Court Eligibility Decisions by Technology

June 2014 – June 2019

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## Trends on § 101 Motions

Federal Circuit Eligibility Decisions by Technology

June 2014 – June 2019

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Trends on § 101 Motions

Software Patent § 101 Decisions

**District Court**
- Deny: 47%
- Grant: 53%

**Federal Circuit**
- Eligible: 85%
- Ineligible: 15%

Trends on § 101 Motions

Business Method Patent § 101 Decisions

Legislative Reform
(April – June 2019)

May 22, 2019 – Sens Tillis and Coons, and Reps. Collins, Johnson, and Stivers, release draft bill:

Section 100:
(k) The term “useful” means any invention or discovery that provides specific and practical utility in any field of technology through human intervention.

Section 101:
(a) Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

(b) Eligibility under this section shall be determined only while considering the claimed invention as a whole, without discounting or disregarding any claim limitation.
Legislative Reform
(April – June 2019)

• “field of technology” is supposed to cover “critical advances like artificial intelligence and medical diagnostics, but not economic transactions or social interactions.”

• Removes “new” from § 101, which may be interpreted as rejecting Alice step 2 search for an inventive concept

• Additional Legislative Proposals:
  – “No implicit or other judicially created exceptions to subject matter eligibility, including ‘abstract ideas,’ ‘laws of nature,’ or ‘natural phenomena,’ shall be used to determine patent eligibility under section 101, and all cases establishing or interpreting those exceptions to eligibility are hereby abrogated.”
  – “The provisions of section 101 shall be construed in favor of eligibility.”
  – “The eligibility of a claimed invention under section 101 shall be determined without regard to: the manner in which the claimed invention was made; whether individual limitations of a claim are well known, conventional or routine; the state of the art at the time of the invention; or any other considerations relating to sections 102, 103, or 112 of this title.”
Legislative Reform
(April – June 2019)

• June 2019 – Three days of hearings on patent eligibility before the Senate Subcommittee on Intellectual Property

• Judge Paul R. Michel (Ret.):
  – “The uncertainty surrounding the law of eligibility is the number one problem in our patent system today.”
  – "I spent 22 years on the Federal Circuit and 9 years since dealing with patent cases, and I cannot predict in a given case whether eligibility will be found or not found. If I can't do it, how can bankers, venture capitalists, business executives, and all the other players in the system make reliable predictions and sensible decisions?"

• After the hearings, Sen Coons’ Press Release: “We know change is needed, and we know that we have additional work to do.”