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Federal Circuit Steps In Where Supreme Court Declines to Tread | Texas Lawyer

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By Blaine Larson | February 27, 2020

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Patent eligibility under 35 U.S.C. Section 101 has been in flux since the U.S. Supreme Court's decisions in *Mayo Collaborative Services v. Prometheus Laboratories*, 566 U.S. 66 (2012), and *Alice v. CLS Bank International*, 573 U.S. 208 (2014). Given the court's recent denial of certiorari in three closely watched eligibility appeals (*Berkheimer*, *Athena* and *Hikma*), it is likely to remain that way.

The U.S. Court of Appeals for the Federal Circuit has gradually fleshed out *Alice* over the past few years while working within the confines of its two-part test. For example, the court has held that the presumption of validity applies to eligibility under Section 101 (*Cellspin Soft v. Fitbit*, 927 F.3d 1306 (Fed. Cir. 2019)) and that it is improper to render a Section 101 decision without resolving underlying claim construction disputes (*MyMail Ltd. v. ooVoo LLC*, 934 F.3d 1373 (Fed. Cir. 2019)). Most importantly, it has held that whether a claim is directed to an inventive concept (i.e., a concept that is not well-understood, routine or conventional) under step two is a question of fact that must be

proven by clear and convincing evidence (see *Berkheimer v. HP*, 881 F.3d 1360 (Fed. Cir. 2018)).

The Federal Circuit has been blunt regarding the current state of eligibility law for medical diagnostic patents. In *Athena Diagnostics v. Mayo Collaborative Services*, 927 F.3d 1333 (Fed. Cir. 2019), the court invalidated a diagnostic patent under Section 101 because it was directed to a law of nature. The case generated eight separate opinions from the 12 judges, none of which expressed satisfaction with the current state of the law. If there was ever an opinion intended to garner the Supreme Court's attention, *Athena* was it. See, e.g., id. at 1334 ("If I could write on a clean slate…") (Lourie, J., concurring); id. at 1337 ("I, for one, would welcome further explication of eligibility standards in the area of diagnostics patents.") (Hughes, J., concurring); id. at 1352 ("None of my colleagues defend the conclusion that claims to diagnostic kits and diagnostic techniques, like those at issue, should be ineligible.") (Moore, J., dissenting); id. at 1371 ("I believe that confusion and disagreements over patent eligibility have been engendered by the fact that the Supreme Court has ignored Congress's direction to the courts to apply 35 U.S.C. sections 101, et seq ('Patent Act') as written.") (O'Malley, J., dissenting).

Despite the pleas of the Federal Circuit judges, the Supreme Court did not take the bait. On Jan. 13, the Supreme Court denied certiorari in *Berkheimer*, *Athena* and *Hikma* (involving another diagnostic patent found ineligible under Section 101). What made those petitions especially noteworthy was the solicitor general's briefs. In both *Berkheimer* and *Hikma*, the solicitor advocated declining certiorari, not because he agreed with the Federal Circuit's opinions, but because he viewed the two-part *Alice* test as so fundamentally flawed that it should be abolished.

Given that seven of the nine justices from *Alice* remain on the court, it seems unlikely *Alice* will be overturned any time soon. Instead, eligibility law will likely continue to be shaped by gradual pushback from the Federal Circuit and district courts. Moving forward, I do not expect to see significant movement from the Federal Circuit on step one, primarily because the question of whether a particular claim is directed to an abstract idea cannot be simplified into a succinct, universally applicable holding. Step two is more ripe for change because it involves a question of fact, and the issue of how to treat fact questions lends itself to more generally applicable holdings.

There are two specific areas of step two law that I expect to come into greater focus. The first is, "What is the role of the jury?" Step two involves questions of fact, which are typically the province of the jury. At least two district courts have presented the question of whether asserted claims "were well-understood, routine, and conventional" to a jury. See *PPS Data LLC v. Jack Henry & Associates*, 2:18-cv-00007-JRG, Dkt. 165 (E.D.

Tex.); *Maxell Ltd. v. ZTE (USA)*, 5:16-cv-00179-RWS, Dkt. 228 (E.D. Tex.). It remains to be seen whether more district courts will follow this approach, and if so, whether the Federal Circuit will afford the deference typically given to jury verdicts.

Second, I expect to see further clarity on the role of prior validity determinations on step two analyses. Some view this as a non-issue, given the Supreme Court's statement that "the question therefore of whether a particular invention is novel is wholly apart from whether the invention falls into a category of statutory subject matter," in *Diamond v. Diehr*, 450 U.S. 175, 190 (1981). I think that oversimplifies the issue; the statement in *Diehr* explicitly referred to anticipation under Section 102, not obviousness under Section 103. Further, step two of the *Alice* eligibility test seemingly bears some similarity to obviousness analysis under *KSR*. Compare *Alice*, 573 U.S. at 225 ("all of these computer functions are well-understood, routine, conventional activities previously known to the industry" (quotations and alterations omitted)) with *KSR International v. Teleflex*, 550 U.S. 398, 417 (2007) ("If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability."). This comparison between eligibility and novelty has been seen at the Federal Circuit. *See Berkheimer*, 881 F.3d at 1369 ("Whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.").

Until the Supreme Court addresses eligibility again, expect the Federal Circuit to continue incrementally shaping step two law.

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