

## Strategic Considerations For Litigating Alice Issues At Trial

By **Michael Powell** (February 3, 2020, 5:44 PM EST)

While the impact of *Alice Corp. v. CLS Bank International*[1] on early case strategy has been explored extensively, few commentators have addressed how Alice may impact jury trials.

This article seeks to address this issue, including how Alice provides a separate invalidity defense that bypasses certain patent-friendly validity doctrines, such as motivation to combine and the secondary considerations of nonobviousness and how practitioners might tailor jury instructions, verdict forms, and trial evidence when an Alice defense will be presented to the jury.



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### Background: Alice and Berkheimer

In a progression of seminal opinions culminating in *Alice Corp. Pty. Ltd. v. CLS Bank International*, the U.S. Supreme Court rejuvenated the often-ignored defense of patent ineligibility under Section 101. Courts and patent practitioners have attempted to apply the Supreme Court's guidance in litigation, with one notable consequence being the prevalence of early patent ineligibility motions under Rule 12 of the Federal Rules of Civil Procedure.

But often overlooked in the discussions about the impact of Alice is how patent ineligibility can affect the nature and outcome of patent trials. While this consideration is immediately relevant to practitioners heading to trial, it should also influence overall case strategy, including each side's initial evaluation of the likelihood of success, discovery strategy, expert theories and development of litigation themes.

The Alice test for patent ineligibility has two parts. First, courts determine whether the claim at issue is directed to patent ineligible subject matter — a law of nature, natural phenomenon or abstract idea.[2] Second, courts evaluate whether the claim recites an inventive concept, such that it covers more than just ineligible subject matter and “well-understood, routine, and conventional” activity.[3] This article focuses primarily on Alice Step 2.

Although the Alice test is formulated in simple terms, commentators, legislators and even sitting U.S. Court of Appeals for the Federal Circuit judges have argued that the Alice inquiry addresses questions best left to other provisions of the Patent Act, such as Sections 102, 103 and 112.[4] Indeed, because “[g]roundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry,”

patent ineligibility provides an independent avenue for invalidating patents that otherwise pass muster under the rigorous legal tests of Sections 102, 103 and 112.[5]

Courts and practitioners also have struggled with whether the Alice test is purely legal or involves underlying factual questions. The Federal Circuit clarified this point in *Berkheimer v. HP Inc.*, holding that “whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.”[6] Thus, at least Alice Step 2 involves underlying factual questions.[7]

### **Practical Considerations**

In addition to impacting early case strategy, Alice defenses can have a case-altering impact at trial.[8] This impact is best illustrated by comparing the Alice test to obviousness under Section 103. An invention is invalid for obviousness if “the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.”[9]

While the terms “well-understood, routine, and conventional” for Alice Step 2 may appear nearly synonymous with “obvious” in common parlance, the Alice inquiry need not delve into such issues as:

- The requirement that the scope and content of the prior art teach each and every element of the claim at issue;[10]
- Motivation to combine;[11]
- The doctrine of analogous prior art;[12] and
- The secondary considerations of nonobviousness.[13]

That is, the Alice test need not involve a detailed limitation-by-limitation analysis of the prior art or an examination of the nuanced factual issues underlying motivation to combine. Nor does the Alice test depend on the teachings of any specific prior art reference, let alone address whether a reference is analogous prior art.

Further, the Alice test does not trigger the secondary considerations of nonobviousness, such as commercial success, praise and teaching away, which can salvage the validity of a prima facie obvious patent claim. Thus, the Alice test avoids many of the patent-friendly doctrines underlying other invalidity defenses, including those guiding the analysis of obviousness under Section 103.

Moreover, as a separate and independent defense, Alice allows for additional instructions from the judge calling the validity of the patents into doubt. Alice’s terminology — e.g., well-understood, routine and conventional — provides three nearly analogous conception expressions for jurors to latch on to. Patent eligibility instructions also tend to be succinct and squarely focusing on the well-understood, routine and conventional inquiry, which again favors defendants.

By contrast, other types of invalidity instructions — particularly those for obviousness under Section 103 — tend to be long and complex because they must reflect the associated burden-shifting tests, such as motivation-to-combine and the secondary considerations.

Importantly, Alice allows defendants to combat and, in some cases neutralize, patentee arguments about groundbreaking discoveries. Juries are generally susceptible to overvaluing the importance of patents, particularly when presented with effective fact and expert testimony and the suggestion that experts at the U.S. Patent and Trademark Office thoroughly examine all issued patents.

Alice arms defendants with a means to fight back — no matter how important or groundbreaking a discovery may appear, a patent should be considered worthless if it merely claims well-understood, routine or conventional activity. Because it is unlikely that the USPTO addressed patent eligibility during prosecution for patents now being litigated, these arguments have the added benefit of helping to overcome the presumption of validity.[14]

Two recent cases in the U.S. District Court for the Eastern District of Texas and one before the Federal Circuit illustrate these points.[15] In *Maxell Ltd. v. ZTE USA Inc.*, the jury was given a short instruction on patent eligibility that tasked it with deciding:

if the elements in each of these claims taken individually or as a combination involve well-understood, routine, and conventional activity previously engaged in by researchers in the field, or well-understood, routine, and conventional activities or components previously known to the industry.[16]

By contrast, the jury was given nearly seven pages of instructions concerning anticipation and obviousness, including nearly three pages of instructions on obviousness alone.[17] At trial, the jury found each asserted claim willfully infringed and rejected the defendant's anticipation and obviousness defenses.[18]

However, the jury was persuaded by the defendant's Alice defense and, in fact, found that one of the asserted patents was directed to well-understood, routine and conventional activity even though it was not anticipated or obvious.[19] The parties settled before the court ruled on Alice Step 1 — that is, whether the claims were directed to patent ineligible subject matter.[20]

In *PPS Data LLC v. Jack Henry & Associates Inc.*, the court had previously determined that the sole asserted patent was directed to an abstract idea, leaving Alice Step 2 dispositive of patent eligibility.[21] As with the earlier *Maxell* case, the patent eligibility instruction in *PPS* succinctly focused on whether the "elements of the asserted claims, when taken individually and as an ordered combination, involve no more than well-understood, routine and conventional activities previously known" in the art.[22]

And again mirroring *Maxell*, the *PPS* jury found that each asserted claim only recited well-understood, routine and conventional activity.[23] In view of the jury verdict and the trial court's earlier determination that Alice Step 1 was met, the trial court entered judgment of patent ineligibility.[24]

*Exergen Corp. v. Kaz USA Inc.*, in which patent eligibility was sustained following trial, illustrates how judges and juries may view Alice Step 2 differently. In *Exergen*, the parties agreed to try patent eligibility to the court, even though the parties tried invalidity and infringement to the jury.[25]

At trial, the jury found that each asserted claim was infringed and not invalid for obviousness, inadequate written description or lack of enablement.[26] "Guided by the jury's verdict," and with "the benefit of the evidence presented at the well-litigated jury trial," the court then rejected the defendant's patent ineligibility challenge, crediting the jury verdict of nonobviousness before finding that "no evidence" suggested that "additional steps of the asserted claims" were well-understood, routine or conventional.[27]

On appeal, the defendant argued that it was deprived of its right to present its Alice defense to the jury.[28] But the Federal Circuit found that the defendant had waived this right.[29] In particular, the defendant did not object when the trial court — perhaps presciently — declined to issue special verdict questions on Section 101 on the grounds that the “jury may confuse the obviousness inquiry with the well-understood, conventional, routine inquiry.”[30]

### **Takeaways and Recommendations**

Since the Supreme Court’s Alice decision, patent ineligibility has become a significant and well-recognized defense at the motion to dismiss stage. However, Alice may also represent a potent defense at trial. Defendants should press for simple, succinct jury instructions that focus squarely on the well-understood, routine and conventional inquiry.

Defendants should also press to have the phrasing “well-understood, routine and conventional” included on verdict forms, which will anchor the jury during deliberations and for verdict forms to break patent eligibility out as a separate line item.

In addition, trial evidence should focus directly on the well-understood, routine and conventional inquiry in order to minimize distractions from other validity doctrines, which tend to favor patentees. However, defendants should be mindful that helpful adverse deposition testimony may have been elicited in the context of other invalidity doctrines, such as obviousness. As such, defendants should be aware that the jury might conflate the separate factual inquiries underlying each presented invalidity defense, particularly if the defenses stem from a common nexus of fact.

For patentees, patent eligibility should be considered a potentially explosive issue that may tip the scales toward invalidity similar to how willfulness appears to tip the scales toward infringement.[31] Patentees should attempt to dispose of the issue before trial, such as through a summary judgment motion or an in limine motion directed to Alice Step 1.

If patent ineligibility survives to trial, patentees should press to have the issue tried to the bench, as was the case in Exergen. To the extent such a proposal is rejected, patentees should attempt to avoid overly succinct jury instructions that dwell on the “well-understood, routine and conventional” language without further explanation. Just as the trial court in Exergen refused to issue special verdict forms because of the risk of jury confusion, it may be possible to convince the court that patent eligibility will confuse the jury without sufficient guidance.

Likewise, patentees should press for verdict forms to omit the phrasing “well-understood, routine and conventional” and to include a single line item directed to all invalidity defenses.

As for the trial presentation, in addition to taking the well-understood, routine and conventional inquiry head on, patentees should point to helpful facts traditionally underlying other invalidity provisions, such as those refuting obviousness. Such arguments may be particularly effective if the defendant affirmatively or implicitly concedes nonobviousness before trial, as the defendant’s technical witnesses may appear inconsistent when conceding nonobviousness but nevertheless contending that the invention is still well-understood, routine and conventional.

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[1] Alice Corp. v. CLS Bank Int'l, 573 U.S. 208 (2014).

[2] Alice, 573 U.S. at 217.

[3] Id. at 225 (citing Mayo Collaborative Servs. v. Prometheus Labs., Inc., 566 U.S. 66, 72-72 (2012)).

[4] Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC, 927 F.3d 1333, 1335 (Fed. Cir. 2019) (Lourie, J., concurring in the denial of rehearing en banc); id. at 1337 (Hughes, J., concurring); id. (Dyk, J., concurring); id. at 1344 (Chen, J., concurring); id. at 1352 (Moore, J., concurring); id. at 1363 (Newman, J., dissenting); id. at 1370 (Stoll, J., dissenting); id. at 1371 (O'Malley, J., dissenting); Am. Axle & Mfg., Inc. v. Neapco Holdings LLC, 939 F.3d 1355, 1369 (Fed. Cir. 2019) (Moore, J., dissenting); Sens. Chris Coons, (D-Del.) & Thom Tillis (R-N.C.) What Coons And Tillis Learned At Patent Reform Hearings, Law360 (June 21, 2019, 8:10 PM EDT), <https://www.law360.com/articles/1171672>; Ryan Davis, Kappos Calls for Abolition Of Section 101 Of Patent Act, Law360 (Apr. 12, 2016, 4:32 PM EDT), <https://www.law360.com/articles/783604>.

[5] Ass'n. for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576, 591 (2013).

[6] Berkheimer v. HP Inc., 881 F.3d 1360, 1368 (Fed Cir. 2018). See Aatrix Software, Inc. v. Green Shades Software, Inc., 890 F.3d 1354, 1355-57 (Fed. Cir. 2018) (Moore, J., concurring in denial of rehearing en banc).

[7] See Search & Social Media Partners v. Facebook, Inc., No 17-cv-1120-LPS, 2019 WL 581616, at \*7 (D. Del. Feb. 13, 2019) ("Aatrix and Berkheimer perhaps place new emphasis on the reality that Alice Step 2 can involve factual disputes, but that too is not a change in the law.").

[8] The author represented the defendant in C. R. Bard, Inc. v. AngioDynamics, Inc., No. 1:15-cv-000218 (D. Del.), where patent ineligibility was litigated at the pleading stage and through trial. Because the district court dismissed the case on the fourth day of trial for, inter alia, patent ineligibility, this issue was not given to the jury.

[9] 35 U.S.C. § 103(a); see Proctor & Gamble Co. v. Teva Pharms. USA, Inc., 566 F.3d 989, 994 (Fed. Cir. 2009).

[10] KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 417-18 (2007).

[11] Id. at 418-21; Arctic Cat Inc. v. Bombardier Recreational Prods. Inc., 876 F.3d 1350, 1362-63 (Fed. Cir. 2017).

[12] In re Pagliaro, 657 F.2d 1219, 1224 (C.C.P.A. 1981).

[13] Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc., 699 F.3d 1340, 1349 (Fed. Cir. 2012).

[14] While newer patents may have been examined under the USPTO patent eligibility guidelines, defendants still may be able to question the deference afforded to the USPTO if the examiner's analysis deviates from the way Alice is applied by district courts and the Federal Circuit.

[15] Due to the newness of Alice and the trend for patent eligibility to be decided by courts on the pleadings or at summary judgment, few jury trials have addressed patent ineligibility.

[16] Final Jury Inst., No. 5:16-cv-179-RWS (E.D. Tex. June 29, 2018), ECF No. 223 at 26.

[17] See *id.* at 19-26.

[18] Verdict Form, No. 5:16-cv-179-RWS (E.D. Tex. June 29, 2018), ECF No. 228 at 1-7.

[19] *Id.* at 7-8.

[20] The defendant had previously moved for summary judgment of ineligibility, which the court denied without prejudice to renewing in post-trial briefing. Order, No. 4:16-cv-179-RWS (E.D. Tex. June 8, 2018), ECF No. 181 at 2, 10.

[21] Memorandum Opinion and Order, No. 2:18-cv-007-JRG (E.D. Tex. Sept. 6, 2019), ECF No. 156 at 21; Final Judgment, No. 2:18-cv-007-JRG (E.D. Tex. Sept. 13, 2019), ECF No. 179.

[22] Proposed Jury Instr., No. 2:18-cv-007-JRG (E.D. Tex. Sept. 8, 2019), ECF No. 158 at 15.

[23] Verdict Form, No. 2:18-cv-007-JRG (E.D. Tex. Sept. 12, 2019) ECF No. 165 at 4.

[24] Final Judgment, No. 2:18-cv-007-JRG (E.D. Tex. Sept. 13, 2019), ECF No. 179 at 2.

[25] *Exergen Corp. v. Kaz USA, Inc.*, 725 F. App'x 959, 962-63, 968 (Fed. Cir. 2018).

[26] Verdict Form, No. 1:13-cv-10628-RGS (D. Mass. Jan. 22, 2016), ECF No. 355.

[27] Memorandum and Order, No. 1:13-cv-10628-RGS (D. Mass. Mar. 25, 2016), ECF No. 395 at 1, 6, 9.

[28] *Exergen*, 725 F. App'x at 968.

[29] *Id.*

[30] *Id.*

[31] Dorothy Atkins, Baker Botts Atty Says Halo Drastically Tilted Patent Trial Odds, Law360 (Dec. 13, 2019, 9:24 PM EST), <https://www.law360.com/articles/1228411>.