Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Invalidating Patents On The Pleadings Post-Bilski

Law360, New York (June 16, 2014, 10:17 AM ET) -- Not long ago, seeing a court invalidate a patent before claim construction or summary judgment was a defendant's pipe dream. No matter how strong the invalidity argument, it is well established that "every issued patent is presumed to have been issued properly, absent clear and convincing evidence to the contrary." Ultramerical Inc. v. Hulu LLC, 722 F.3d 1335, 1338 (Fed. Cir. 2013). Until recently, this has meant that establishing invalidity via a 12(b)(6) or 12(c) motion has been nearly impossible. However, it appears that district courts increasingly view the U.S. Supreme Court's decision in Bilski v. Kappos, 130 S. Ct. 3218, as license to more aggressively evaluate the validity of patent claims in the context of early dispositive motions based on failure to claim patentable subject matter.

One of the first post-Bilski decisions to invalidate a patent on a motion to dismiss was Ultramerical LLC v. Hulu LLC, No. 09-06918, 2010 U.S. Dist. LEXIS 93453 (C.D. Cal. Aug. 13, 2010). The Federal Circuit reversed the district court's decision in that case, but subsequent district courts nonetheless followed the Central District of California. In May 2011, relying on "the line of cases culminating in Bilski" the District of New Jersey granted a defendant's motion to dismiss on the grounds that the patent-in-suit failed to claim patent-eligible subject matter. Glory Licensing LLC v. Toys R Us Inc., No. 09-4252, 2011 U.S. Dist. LEXIS 51888, at *18-19 (D.N.J. May 16, 2011).

The court in Glory Licensing found the patents at issue addressed the basic idea that information could be extracted from a document and adapted to fill an application format, and that nothing in the patents imposed "meaningful limitations on this core abstract idea." As the claims at issue failed to claim eligible subject matter on their face, neither claim construction nor discovery was needed.

Since Glory Licensing, district courts have granted 12(b)(6) or 12(c) motions seeking dismissal on § 101 grounds at least ten times — seven of which have been issued within the last nine months. And even though the Federal Circuit has had relatively little to say about this trend, district courts' perception of the law has changed significantly. In May 2012, a District of Maryland court wrote that it had identified "no authority for holding a claim ineligible for patent protection on a motion to dismiss for failure to state a claim." Classen Immunotherapies Inc. v. Biogen Idec, No. 04-2607, 2012 U.S. Dist. LEXIS 75039,

*22 (D. Md. May 30, 2012).

By Jan. 22, 2013, however, a court in the Northern District of California characterized the state of the law much differently, emphasizing that the court had found "no authority for the proposition that a patent may not be deemed ineligible subject matter on a motion to dismiss." Cardpool Inc. v. Plastic Jungle Inc., No. 12-4182, 2013 U.S. Dist. LEXIS 9280 (N.D. Cal. Jan. 22, 2013).

Claim Construction Not an "Inviolable Prerequisite" to Validity Determination

The Federal Circuit affirmed the Sinclair-Allison Inc. v. Fifth Avenue Physician Servs. (W.D. Okl. Dec. 19, 2012) and Cardpool decisions without opinion. Otherwise, apart from Ultramerical, the Federal Circuit has seldom weighed in on the issue of a district court's power to invalidate a patent at the pleadings stage. However, the Federal Circuit has recently affirmed the principle that a patent can be invalidated on § 101 grounds before claim construction. CyberFone Sys. LLC v. CNN Interactive Group Inc., 2014 U.S. App. LEXIS 3599 (Fed. Cir. Feb. 26, 2014).

In Cyberfone, the patent-in-suit comprised the steps of "obtaining data," separating data into component parts, and sending those parts to different destinations. The district court found that the patent claimed "nothing more than a disembodied concept of data sorting and storage" and granted summary judgment under § 101 before claim construction. The Federal Circuit affirmed, citing Bancorp Services LLC v. Sun Life Assur. Co. of Canada, 687 F.3d 1266, 1273 (Fed. Cir. 2012) for the proposition that there is "no flaw in the notion that claim construction is not an inviolable prerequisite to a validity determination under § 101."

Effect on Litigation Involving Nonpracticing Entities

Of the 11 district court decisions granting motions to dismiss, eight involved a nonpracticing entity. NPEs who hope to leverage litigation costs to extract a settlement may soon have to rethink their strategy. If district courts continue to invalidate patents by granting motions to dismiss or motions for judgment on the pleadings, NPEs may no longer be able to force defendants to engage in expensive discovery or claim construction before asking a court to rule on validity. Or, at the very least, defendants will be able to file potentially dispositive motions early on, before having incurred significant litigation costs, as a means of gaining leverage against NPEs.

What Lies Ahead

Many attempts to invalidate a patent through a motion to dismiss or a motion for judgment on the pleadings will be unsuccessful. In its second Ultramerical decision, the Federal Circuit remarked that "it will be rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter." Ultramerical Inc., 722 F.3d at 1338. The court further found that dismissal pursuant to 12(b)(6) or 12(c) is warranted if the "only plausible reading of the patent must be that there is clear and convincing evidence of ineligibility." Id. While this a high standard for defendants to meet, as an increasing number of courts have made clear over the last year, it is not an impossible standard.

The Supreme Court's decision in Alice Corp. v. CLS Bank, expected in June 2014, could significantly impact the efficacy of early stage § 101 motions. The Federal Circuit held that a patent claiming computer-implemented systems and methods for conducting financial transactions were invalid under § 101. CLS Bank Int'l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1273-74 (Fed. Cir. 2013). The Supreme Court will assess whether and when computer-implemented inventions are directed to patent-eligible subject matter.

If the Supreme Court affirms the Federal Circuit — and in doing so clarifies how § 101 applies to computer-implemented inventions and other method patents — the practice of invalidating patents via 12(b)(6) and 12(c) motions may become a genuine trend. On the other hand, if the Supreme Court obfuscates the § 101 standard further, district courts may lack the confidence to invalidate these patents pre-claim construction or summary judgment.

—By Carlos Perez and Matthew Barrett, Choate Hall & Stewart LLP

Carlos Perez is a partner and Matthew Barrett is an associate in the intellectual property litigation group at Choate in Boston.