

Section 101: Should Clear And Convincing Standard Apply?

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Following the U.S. Supreme Court's June 2014 opinion in *Alice v. CLS Bank*,^[1] a split of authority has emerged regarding whether or not the clear and convincing standard should apply to an eligibility challenge under 35 U.S.C. §101.^[2] Divergent opinions have arisen because the Supreme Court has not addressed the correct standard under §101 since its 2011 opinion in *Microsoft v. i4i*,^[3] nor has the Federal Circuit addressed the standard since its subsequently vacated 2013 opinion in *Ultramercial*.^[4] Particularly since *Alice*, various district courts have thoughtfully examined this question.^[5] This article will summarize the various lines of reasoning from those opinions, and what the courts have opted to do for the present until the Federal Circuit (or Supreme Court) provide further clarity on the correct standard.

Post-*Alice*, when the question of the correct standard under §101 has arisen, patentees routinely cite to the Supreme Court's decision in *Microsoft v. i4i* to argue that the clear and convincing standard should apply. In *i4i*, the court analyzed whether 35 U.S.C. §282 was determinative of the proper standard. In doing so, the *i4i* court acknowledged the absence of any express articulation of the correct standard of proof (as opposed to the burden of proof) in the statute. However, the court considered that, for decades, both the Supreme Court and the Federal Circuit had consistently found that the presumption of validity goes hand-in-hand with the standard of clear and convincing evidence when a patent's validity is challenged. The court thus concluded that by codifying the presumption of validity in §282, Congress "implicitly" adopted the heightened standard of proof as well.^[6] However, the court was careful to note that:

Here we use 'burden of proof' interchangeably with 'burden of persuasion' to identify the party who must persuade the jury in its favor to prevail. We use the term 'standard of proof' to refer to the degree of certainty by which the factfinder must be persuaded of a factual conclusion to find in favor of the

party bearing the burden of persuasion. In other words, the term ‘standard of proof’ specifies how difficult it will be for the party bearing the burden of persuasion to convince the jury of the facts in its favor.[7]

The concurring opinion by Justices Stephen Breyer, Antonin Scalia and Samuel Alito in *i4i* elaborates on this point noting that “[w]here the ultimate question of patent validity turns on the correct answer to legal questions — what these subsidiary legal standards mean or how they apply to the facts as given — today’s strict standard of proof has no application.”[8] The concurrence further stated that “[b]y preventing the ‘clear and convincing’ standard from roaming outside its fact-related reservation, courts can increase the likelihood that discoveries or inventions will not receive legal protection where none is due.”[9] Notably, the dispute in *i4i* was limited to an on-sale bar issue pursuant to §102(b) — not §101— and thus the question of whether the clear and convincing standard should apply in the §101 context was not directly addressed.

Challenges to validity under §102 (novelty), §103 (nonobviousness) and §112 (fully and particularly described) typically involve key underlying questions of fact subject to the clear and convincing standard.[10] However, eligibility under §101 is a question of law.[11] Thus, as the argument goes, the heightened standard of clear and convincing is not appropriate in the §101 context. The majority of district courts that have considered the issue seem to agree with that proposition.[12] Yet in most cases those same courts have nevertheless applied the heightened standard — or at least indicated they would have reached the same conclusion under the heightened standard — pending further clarification from the Supreme Court or the Federal Circuit.[13]

Why should a §101 challenge be treated as a question of law? In the §101 context, patentees often argue that there is an underlying factual issue relating to the novelty of a limitation, or the claim as an ordered combination.[14] However, the issue of novelty should not be conflated with the issue of eligibility under §101.[15] Novelty is also not a consideration for step one of the Alice analysis.[16] And while novelty may be considered in step two, the court’s overriding concern appears to be one of preemption. As the Alice court stated, “[w]e have described the concern that drives this exclusionary principle as one of pre-emption.”[17] As far back as *O’Reilly v. Morse*, the dissent was of the view that the disputed claim should be void “only when [the patentee] claims something before known and used, something as new which is not new, either by mistake or intentionally.”[18] However, despite finding the disputed claims to be valid over the prior art, the majority disagreed reasoning that the problem with the language of the claim at issue was not one of novelty, but one of unwarranted preemption over future improvements:

It is impossible to misunderstand the extent of this claim. [The inventor - Morse] claims the exclusive right to every improvement where the motive power is the electric or galvanic current, and the result is the marking or printing intelligible characters, signs, or letters at a distance. If this claim can be maintained, it matters not by what process or machinery the result is accomplished. For aught that we now know some future inventor, in the onward march of science, may discover a mode of writing or printing at a distance by means of the electric or galvanic current, without using any part of the process or combination set forth in the plaintiff’s specification. His invention may be less complicated—less liable to get out of order—less expensive in construction, and in its operation. But yet if it is covered by this patent the inventor could not use it, nor the public have the benefit of it without the permission of this patentee.[19]

Based on this reasoning, the *O’Reilly* court held the claim to be void, finding “that the claim is too broad, and not warranted by law.”[20]

Patentees sometimes argue that the movant or court's reliance on treatises or dictionaries to confirm the abstract nature of the claimed concept creates an issue of fact. Indeed, following the Supreme Court's lead in *Alice*, it has become commonplace for the courts to cite to treatises or other historical evidence in support of a finding of ineligibility.[21] The court in *Hughes* put it thus:

Courts frequently make findings when deciding purely legal questions. Eligibility questions mostly involve general historical observations, the sort of findings routinely made by courts deciding legal questions. Compare *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498, 2505-06, 189 L. Ed. 2d 476 (2014) (relying on legislative history and context of 1976 Copyright Act to justify finding copyright liability for online television streaming service), with *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2356, 82 L. Ed. 2d 296, 189 L. Ed. 2d 296 (2014) (citing to historical evidence showing intermediated settlement is a longstanding practice).[22]

In conclusion, while it appears that the majority of district courts that have considered the issue have reasoned that the clear and convincing standard should not apply to a § 101 analysis, there is a split of authority and continued uncertainty. Therefore it would be beneficial to both parties and the district courts to have additional guidance on the question of the correct standard given the prevalence of eligibility opinions emanating not only from the district courts, but also the PTAB.

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[1] 134 S. Ct. 2347 (2014) (“*Alice*”).

[2] See, e.g., *Intellectual Ventures I LLC v. Symantec Corp.*, C.A. No. 10-1067-LPS, slip op. at 10-12 (D. Del. Apr. 22, 2015) (noting the lack of controlling authority, as well as the split in the District of Delaware); *Cal. Inst. of Tech. v. Hughes Commun., Inc.*, 59 F. Supp. 3d 974, 978 n.6 (C.D. Cal. Nov. 3, 2014) (reasoning that the clear and convincing standard should not apply, but applying it nevertheless); *Messaging Gateway Solutions, LLC v. Amdocs, Inc.*, C.A. No. 13-732-RGA, slip op. at 5 (D. Del. Apr. 15, 2015) (deferring the issue as the challenged claims were found “patent-eligible under either standard”); *In re TLI Communs. LLC Patent Litig.*, MDL No. 1:14md2534, slip op. at 36-37 (E.D. Va. Feb. 6, 2015) (“As a result of this deafening silence, district courts, not surprisingly, are split over the standard of proof applicable to §101 challenges.”); *CertusView Techs., LLC v. S&N Locating Servs.*, No. 2:13cv346, slip op. at 34 n. 6 (E.D. Va. Jan. 21, 2015) (acknowledging the persuasiveness of Judge Mayer’s concurrence in *Ultramercial* but applying the clear and convincing standard in light of the current state of the law); *DataTern, Inc. v. MicroStrategy, Inc.*, No. 11-11970-FDS, slip op. at 14 (D. Mass. Sept. 4, 2015) (same); *Exergen Corp. v. Brooklands Inc.*, No. 12-12243-DPW, slip op. at 6-7 (D. Mass. Aug. 28, 2015); *Trading Techs. Int’l v. CQG, Inc.*, No. 05-cv-4811, slip op. at 4 (N.D. Ill. Feb. 24, 2015); but cf. *Blue Spike, LLC v. Google, Inc.*, No. 14-cv-01650-YGR, slip op. at 6 (N.D. Cal. Sept. 8, 2015) (finding the heightened standard inapplicable at the pleading stage; citing other cases that reached the same conclusion).

[3] See *Hughes*, 59 F. Supp. 3d at 978 n.6 (“Tellingly, the Supreme Court has never mentioned the clear and convincing evidence standard in its post-*i4i* §101 decisions.”).

[4] *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1338 (Fed. Cir. 2013), vacated sub nom. *WildTangent, Inc. v. Ultramercial, LLC*, 134 S. Ct. 2870 (2014) (“the only plausible reading of the patent must be that there is clear and convincing evidence of ineligibility”). However, the Federal Circuit’s 2013 opinion in *Ultramercial* no longer has precedential effect. See *County of Los Angeles v. Davis*, 440 U.S. 625, 634 n.6 (1979) (“[O]ur decision vacating the judgment of the Court of Appeals deprives that court’s opinion of precedential effect.”).

[5] See *supra*, note 2.

[6] *Microsoft Corp. v. i4i Ltd. Pship*, 131 S. Ct. 2238, 2241 (2011); but cf. *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 709, 717 (Fed. Cir. 2014) (Mayer, J., concurring) (“no presumption of eligibility attends the section 101 inquiry.”) (emphasis in original); see also *id.* at 720-21.

[7] *i4i*, 131 S. Ct. at 2245 (emphasis added) (citation omitted).

[8] *Id.* at 2253 (Breyer, J., concurring) (citations omitted).

[9] *Id.*

[10] *Id.* (“the clear and convincing standard applies to questions of fact and not to questions of law”) (citations omitted).

[11] *In re Bilski*, 545 F.3d 943, 951 (Fed. Cir. 2008), *aff’d* 561 U.S. 593 (2010) (“[w]hether a claim is drawn to patent-eligible subject matter under §101 is an issue of law[.]”); see also *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1255 (Fed. Cir. 2014); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1369 (Fed. Cir. 2011) (“Issues of patent-eligible subject matter are questions of law.”).

[12] E.g., *Hughes*, 59 F. Supp. 3d at 978 n.6 (“This Court believes that the clear and convincing standard does not apply to § 101 analysis, because § 101 eligibility is a question of law.”); see *supra*, note 2.

[13] E.g., *Hughes*, 59 F. Supp. 3d at 978 n.6 (“Regardless, the Court must follow binding precedent.”); see *supra*, note 2.

[14] *Ultramercial*, 772 F.3d at 714.

[15] *Diamond v. Diehr*, 450 U.S. 175, 190 (1981) (“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.”) (internal quotations omitted); see also *Bilski v. Kappos*, 561 U.S. 593, 602 (2010); *Parker v. Flook*, 437 U.S. 584, 588 (1978); *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289, 1304 (2012); *Intellectual Ventures I LLC v. Symantec Corp.*, C.A. No. 10-1067-LPS, slip op. at 10 n.5 (D. Del. Apr. 22, 2015) (noting that the Alice Court referred to eligibility, whereas the *i4i* Court addressed the evidentiary burden to patent validity challenges). It may add some clarity to future discussions to distinguish §101 as referring to eligibility, whereas §§102, 103 and 112 refer to validity.

[16] *Ultramercial*, 772 F.3d at 715 (“In any event, any novelty in implementation of the idea is a factor to be considered only in the second step of the Alice analysis.”); *Hughes*, 59 F. Supp. 2d at 991 (“prior art plays no role in this [first] step.”).

[17] Alice, 134 S. Ct. at 2354.

[18] 56 U.S. 62, 135 (1853) (Greier, J., dissenting).

[19] Id. at 112-13.

[20] Id. at 113 (discussion of Claim 8).

[21] Alice, 134 S. Ct. at 2356 (referencing historical evidence to establish that an intermediated settlement was a fundamental economic practice); buySAFE, Inc. v. Google, Inc., 765 F.3d 1350, 1355 (Fed. Cir. 2014) (citing a 1927 article to demonstrate that the patent's abstract concept was "of ancient lineage"); Amdocs (Israel) Ltd. v. Openet Telecom, Inc., 56 F. Supp. 3d 813,822 n.3 (E.D. Va. Oct. 24, 2014) (relying on Internetworking Technologies Handbook, 4th Ed. 2004); Vehicle Intelligence & Safety LLC v. Mercedes-Benz USA LLC, et al., No. 13 C 4417, slip op. at 9-10 (N.D. Ill. Jan. 29, 2015) (relying on the Encyclopedia Britannica).

[22] 59 F. Supp. 2d at 978 n.6 (citations omitted).