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Berkheimer and *Aatrix* En Banc Denial: a Divided Federal Circuit on Alice Step Two

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This week, the Federal Circuit issued virtually identical orders denying petitions for panel rehearing and rehearing en banc filed by petitioners in the *Berkheimer v. HP Inc.* and *Aatrix Software, Inc. v. Green Shades Software, Inc.* appeals. Judge Moore—the author of both the underlying *Berkheimer* and *Aatrix* opinions—penned a concurrence joined by Judge Dyk, Judge O'Malley, Judge Taranto, and Judge Stoll. Judge Lourie, joined by Judge Newman, also concurred, but for different reasons than expressed by Judge Moore. Judge Reyna dissented. The orders provided no indication on how Chief Judge Prost, Judge Wallach, Judge Chen, or Judge Hughes voted.

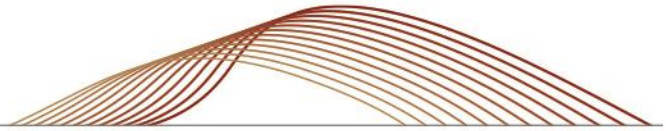
The precedential orders suggest that the § 101 inquiry, while ultimately a question of law, may involve underlying factual components. But the orders—with only four of the twelve active Federal Circuit judges joining Judge Moore's concurrence—also reflect a seeming split amongst the Federal Circuit's active judges and suggest that § 101 challenges, and even the procedural framework for those challenges, could be panel-dependent going forward.

The *Berkheimer* and *Aatrix* Decisions

In *Berkheimer* and *Aatrix*, issued in February of this year, the Federal Circuit vacated district court findings of invalidity of certain claims under § 101 at the summary judgment (*Berkheimer*) and pleadings (*Aatrix*) stages. In particular, the opinions found that disputed issues of fact—whether certain claims found indefinite recited limitations that would have been well-understood, routine, and conventional to a skilled artisan at the relevant time period—prevented resolution of the *Alice* step two inquiry in favor of the challenger under the relevant evidentiary standard. Before *Berkheimer*, the Federal Circuit had not reversed or vacated any § 101 ineligibility determination by a district court based on a disputed factual issue. And before *Aatrix*, the Federal Circuit had not reversed or vacated any § 101 ineligibility determination by a district court based on a factual dispute raised by allegations in the complaint outside of the intrinsic evidence.

The Orders Denying Rehearing En Banc

Judge Moore's concurrence stressed that *Berkheimer* and *Aatrix* were "narrow" and "stand for the unremarkable proposition that whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time is a question of fact." In view of this proposition, her concurrence characterized the § 101 inquiry as a question of law with underlying factual issues, similar to the validity challenges set forth in §§ 102, 103, and 112, and one that must be proven by clear and convincing evidence.



As pointed out by Judge Reyna's dissent (discussed below), Judge Moore's characterization of *Berkheimer* and *Aatrix* as standing for an "unremarkable proposition" could be seen as controversial, as they were the first cases to turn on this proposition. Moreover, the Federal Circuit rarely issues precedential orders in response to petitions for rehearing en banc. Doing so here suggests the unusual, not the "unremarkable."

Judge Moore also attempts to cabin *Berkheimer* and *Aatrix* as "narrow" and emphasizes they do not "cast[] doubt" on previous cases and have not ushered in a sea change in the law. In that respect, she provides some limitations to language in those opinions, for example, noting that "where the specification admits the additional claim elements are well-understood, routine, and conventional, it will be difficult, if not impossible, for a patentee to show a genuine dispute." She also addresses criticism that *Berkheimer* and *Aatrix* have resulted in unwarranted denials of motions on the pleadings, observing there "are many vehicles for early resolution of cases" and suggesting that Rule 11 or § 285 can "compensate the accused infringer for any additional litigation costs it incurs" if allegations in the complaint "ultimately lack evidentiary support."

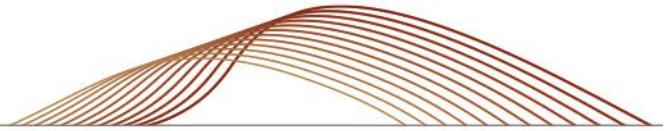
Judge Lourie, joined by Judge Newman, concurred in the denial of the petition for rehearing en banc, but for different reasons. In particular, Judge Lourie questioned: "why should there be a step two in an abstract idea analysis at all?" According to him, if a claim is abstract, it is "no less abstract because it contains an inventive step." He stated that whether something is "well-understood, routine, and conventional" is "essentially a §§ 102 and 103 inquiry" and does not belong in the § 101 analysis. Judge Lourie concluded that the underlying decisions "d[u]g[] the hole deeper by further complicating the § 101 analysis," but believed the issue needed further clarification by Congress, and not rehearing, to "work its way out of what so many in the innovation field consider are § 101 problems."

Judge Reyna's dissent echoes many of the points made in his dissent-in-part in the underlying *Aatrix* opinion. He contends the *Berkheimer* and *Aatrix* opinions are contrary to "well-established precedent" that the § 101 inquiry is a pure question of law, and that these opinions "alter the § 101 analysis in a significant and fundamental manner by presenting patent eligibility under § 101 as predominantly a question of fact." Judge Reyna criticizes the *Aatrix* opinion in particular, which he characterizes as "remov[ing] the inventive concept inquiry from the claims and the specification, and instead plac[ing] it firmly in the realm of extrinsic evidence."

Takeaways

One interesting takeaway from the orders is that Chief Judge Prost, Judge Wallach, Judge Chen, and Judge Hughes did not join any of the concurrences or the dissent, and did not author any separate opinions. Given that the concurrences in total garnered seven votes (one more than needed to deny rehearing en banc), the orders themselves do not reveal how these four judges voted. But it is clear that a full third of the active judges on the Federal Circuit were unwilling to join ***any*** of the viewpoints expressed in the orders. This suggests there are multiple different viewpoints on the Federal Circuit with respect to the § 101 inquiry: Judge Moore's, Judge Reyna's, and at least one on a spectrum between Judge Moore's and Judge Reyna's.

The result is that § 101 challenges, especially those on the pleadings, will likely be panel-dependent going forward. And this panel-dependency could encompass potentially dispositive issues, such as the role of factual allegations in the complaint and the extent to which the § 101 inquiry is purely a question of law or an underlying question of fact. In short, the denial of rehearing en banc here does not appear to have resolved uncertainty surrounding the current state of § 101 jurisprudence, but



rather emphasized—if not signaled—the likelihood of panel-dependent § 101 decisions at the Federal Circuit going forward.

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If you have any questions concerning these developing issues, please do not hesitate to contact either of the following Paul Hastings Palo Alto lawyers:

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