

Fed. Circ. Provides Way To Delay Alice Rulings, With Risks

By Ryan Davis

Law360 (August 19, 2019, 9:03 PM EDT) -- A Federal Circuit decision faulting a lower court for invalidating patents as abstract ideas before construing the claims could help patent owners stave off early ineligibility rulings in some cases, but the strategy comes with several potential pitfalls, attorneys say.

The appeals court held Friday that because the parties in a suit over computer toolbar patents disputed the meaning of a key claim term, the district judge should have resolved that issue before granting judgment on the pleadings that the patents cover patent-ineligible subject matter under Section 101 of the Patent Act.

The decision vacating the invalidity ruling did not hold that judges must always perform a claim construction analysis before ruling on patent eligibility — only that they must do so when there is a dispute between the parties. Yet the case could spur patent owners to raise claim construction issues in an effort to create a roadblock to the type of early invalidity decision that has become common since the U.S. Supreme Court's Alice ruling.

Patent owners may now strategize that "to the extent there is any dispute about claim terminology that you can bring up, bring it up as soon as possible, because that's going to force the district court to potentially do some fact-finding or some claim construction, and it's going to delay the whole 101 issue," said Michael Borella of McDonnell Boehnen Hulbert & Berghoff LLP.

While it might make sense for patentees to try to use claim construction issues to delay or prevent the judge from finding the patent invalid, "that also comes with its own set of drawbacks," since taking a position on what the claims mean early on could undermine the rest of the case, said Ashley Moore of McKool Smith PC.

"The patent owner hasn't seen the asserted prior art yet and may not know exactly how the infringing device works," she said. "If they choose a poor claim construction that doesn't give them the ability to fight those battles later when they need to, they may inadvertently shoot themselves in the foot."

The Federal Circuit's ruling came in a case where MyMail Ltd. accused IAC's Ask.com of infringing its patent on modifying computer toolbars by offering one that provides real-time news and weather updates. U.S. District Judge Lucy H. Koh of the Northern District of California held the patents invalid under Alice for claiming the abstract idea of gathering and processing information.

However, she reached that conclusion without addressing a dispute over the interpretation of the word “toolbar” in the patent claims. Another judge in a previous case defined the term, and the parties disagreed whether that reading was correct. Pointing to a decision from last year, the appeals court said it was an error for the judge not to construe the claims before addressing eligibility.

In that case, *Aatrix Software v. Green Shades Software*, the court said that if there are claim construction disputes when a motion to dismiss on eligibility grounds is filed, the judge must either adopt the patent owner’s claim construction or resolve the dispute to the extent necessary to address eligibility. Doing neither is not an option, the court said Friday.

The Federal Circuit said it wasn’t necessary to rule on whether claim construction was required in the *Aatrix* case. So while the *MyMail* case may be the first in which the Federal Circuit has vacated an ineligibility decision for lack of claim construction, the result isn’t necessarily surprising.

“This notion that you have to resolve claim construction disputes, to the extent they affect 101 issues, before ruling on a motion to dismiss is not so new,” said Robert Maier of Baker Botts LLP.

Yet so many patents have been invalidated as ineligible early in cases on motions for dismissal or summary judgment that patent owners may latch onto any decision that could help forestall such a fate.

"If you are a patent owner in this situation, certainly claim construction presents an opportunity to raise an additional obstacle to summary 101 determination at the start of the case," said Christopher Loh of Venable LLP.

However, attempts by patent owners to head off an early invalidity decision by raising a claim construction issue are far from a slam dunk. First, it could box them in to an interpretation of the claims that will turn out not to be to their advantage once the case is more developed.

Given all the issues that need to be addressed in a patent case, "It might be very difficult for a patent holder to concoct a claim construction dispute to overcome the Section 101 issues without harming other aspects of their case," Maier said.

Moreover, raising a claim construction issue is no guarantee that a decision on eligibility will be delayed. The judge could construe the claims in favor of the patent owner, as is required for a motion to dismiss, and invalidate the patent anyway.

"It may well be that the district judge will say, 'Fine, patent holder, even accepting your proposed construction, I still find the claims invalid,'" Maier said. "It's another way a district judge can deal with this scenario and still get to the ultimate outcome of invalidating."

The situation in this case, where there was a dispute over claim construction that the judge didn’t address at all, is fairly unusual and unlikely to recur, given the Federal Circuit’s holding.

“I don't think most district courts would bypass that step, and if they did have that inclination before, certainly this sends a clear message not to do so in the future,” Loh said.

The ruling emphasized that judges must resolve claim construction disputes before deciding eligibility, but it doesn't address other scenarios, meaning "it remains an open question whether the court would need to do claim construction if the parties don't raise a particular dispute," Moore said.

It may turn out that this case presents the outer bounds of when claim construction is required. It would be surprising if the court were to require claim construction in order to rule on patent eligibility when there is no dispute between the parties, Maier said.

"I think there's no good reason for [the] Federal Circuit to depart from this approach," he said. "It's consistent with the approach on motions to dismiss in general," where factual disputes are resolved in favor of the plaintiff.

Borella said a requirement that claim construction take place before a judge can invalidate a patent as ineligible would be beneficial in most cases, since without it, judges can summarize patents in a few words and use that summary to hold that it covers only an abstract idea.

"In my view, you can't really invalidate a claim until you understand what it means, but that's not the law right now," he said.

As it stands, patent owners fighting to save their patents from an ineligibility ruling have to use all the tools at their disposal, including Friday's ruling, Borella said.

"Patent owners are going to have to throw everything they can at a motion to dismiss," he said. "To the extent that you can argue that claim construction is necessary for one reason or another, you absolutely should."

The case is MyMail Ltd. v. ooVoo LLC et al., case number 18-1758, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Philip Shea and Alanna Weissman.