

Strategies for Litigants in Patent Infringement Cases Using Motions to Dismiss Post-*Alice*

04/19/17

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

Douglas R. Nemeć
New York
212.735.2419
douglas.nemeć@skadden.com

Leslie A. Demers
New York
212.735.3493
leslie.demers@skadden.com

Edward L. Tulin
New York
212.735.2815
edward.tulin@skadden.com

This memorandum is provided by Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates for educational and informational purposes only and is not intended and should not be construed as legal advice. This memorandum is considered advertising under applicable state laws.

Four Times Square
New York, NY 10036
212.735.3000

skadden.com

Nearly three years have passed since the U.S. Supreme Court’s decision on patent eligibility in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*. The decision, which ushered in an unprecedented wave of cases invalidating computer-based patents at the litigation pleading stage, was met with mixed reactions: Some lauded it as a powerful weapon against patent assertion entities, but others lamented that it is one more blow to the foundation of the patent system. In practice, it has opened the door to a quick and efficient disposition of patent cases in a way that did not exist before the decision. An analysis of the hundreds of post-*Alice* cases addressing motions to dismiss under Section 101 of the Patent Act reveals important trends that can inform strategies for both plaintiffs and defendants in patent infringement suits.

Success Rate of Motions to Dismiss Down but Still Higher Than Pre-*Alice*

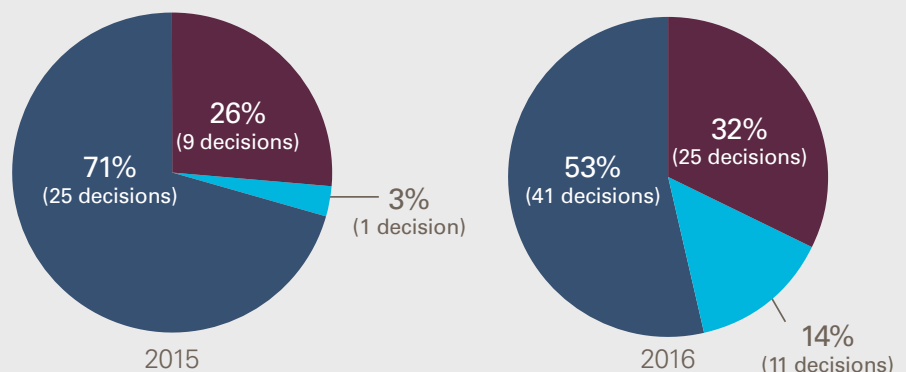
In *Alice*, the Supreme Court addressed what subject matter is patentable and held that claims directed to abstract ideas alone are not patent-eligible.

The volume of Section 101-based motions to dismiss under Federal Rule of Civil Procedure 12(b)(6), which allows a court to “throw out” a case early, has increased each year since *Alice* was decided in June 2014, leading one federal district court to note that *Alice* opened “the proverbial motions practice floodgates” such that Section 101 is “being litigated daily (if not hourly) in federal courts across the country.”

While the number of motions to dismiss has continued to climb, the rate at which courts are granting dismissal has decreased, falling from 71 percent in 2015 to 53 percent in 2016, according to an analysis of roughly 150 federal district court decisions.

Rule 12 Motions to Dismiss for Computer-Based Subject Matter

- Claims Found Invalid
- Claims Found Valid
- Motions Denied, No Validity Finding



Source: The data is based on an analysis of roughly 150 federal district court decisions on Docket Navigator addressing the merits of a Section 101 motion to dismiss issued between January 1, 2015, and December 31, 2016.

Strategies for Litigants in Patent Infringement Cases Using Motions to Dismiss Post-Alice

The decreasing success of these motions mirrors a similar trend in instituting *inter partes* review (IPR) in the Patent Trial and Appeal Board since 2012. Just as the first IPR decisions often involved patents that were extremely susceptible to prior art-based challenges, it appears that the early post-Alice Section 101 challenges may have likewise targeted the most vulnerable patents. Given the relatively low cost of bringing motions to dismiss, however, it is unlikely that the volume of these motions will decrease significantly in the near term.

Though district courts are granting motions to dismiss at a lower rate, the grant rate varies substantially from jurisdiction to jurisdiction, as does the grant rate for summary judgment motions on the same grounds. The three most active venues for motions regarding eligibility of computer-based patent claims are the U.S. district courts for the District of Delaware, Eastern District of Texas and Central District of California.

Based on the statistical analysis, the best chance of succeeding on a motion to dismiss such claims in the most active districts is in the District of Delaware, while the best chance of doing so at the summary judgment stage is in the Central District of California. And while the Eastern District of Texas has been the least receptive to motions to dismiss of the most active districts, it also is the least likely to find claims valid at the Rule 12 stage, minimizing the risk of challenging such patent claims there through a motion to dismiss. Because defendants can avoid the high cost of discovery and legal fees with a successful motion to dismiss, an early case-dispositive motion may be an attractive option here.

Litigants with this knowledge can make better-informed decisions regarding where to file infringement suits, whether to challenge the subject matter eligibility of computer-based claims and when to do so.

Strategies for Litigants

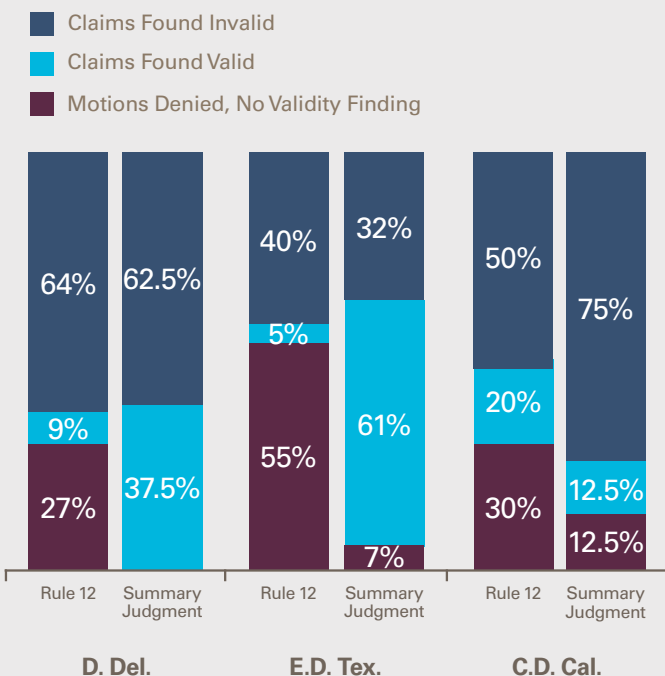
The use of motions to dismiss by defendants accused of infringing computer-based claims is likely here to stay, and several guiding principles for both plaintiffs and defendants have emerged.

In denying Section 101 motions to dismiss computer-based patent claims, courts have either determined that claim construction — which defines the scope and meaning of a patent — is necessary to resolve the Section 101 challenge, or dismissed the motion without prejudice to developing Section 101 arguments later in the case.

Although patent owners have had mixed results in raising issues of claim construction to avoid an ineligibility determination at the motion to dismiss phase, those issues can allow the court to sidestep the *Alice* analysis in its entirety. The best chance of success for patent owners tends to be portraying the parties as engaged in a fundamental dispute over the basic character and coverage of the patent claims and/or adopting a specific and detailed claim construction argument based on expert testimony.

However, patent owners should be mindful of potential pitfalls if they attempt to raise claim construction as a threshold barrier to dismissal. Defendants could portray these arguments as an improper attempt to sidestep the Section 101 analysis by demonstrating how claim construction would not change that analysis. Defendants also could fault plaintiffs that do not propose particular constructions but still argue that claim construction would be an essential predicate step to the Section 101 analysis. If plaintiffs propose a construction, defendants could moot plaintiffs' calls for claim construction by accepting plaintiffs' proposed construction and arguing that the claims are still invalid under Section 101.

Comparison of Section 101 Rule 12 and Summary Judgment Motions for Computer-Based Subject Matter by Venue in 2015 and 2016



Source: The data is based on an analysis of roughly 150 federal district court decisions on Docket Navigator addressing the merits of a Section 101 motion to dismiss issued between January 1, 2015, and December 31, 2016, and nearly 90 federal decisions addressing the merits of a Section 101 summary judgment motion issued in the same time period.

Strategies for Litigants in Patent Infringement Cases Using Motions to Dismiss Post-*Alice*

In addition to arguments relating to claim construction, parties should devote a significant portion of their written submissions to a discussion of how their case is analogous to (or distinct from) the limited number of post-*Alice* U.S. Court of Appeals for the Federal Circuit decisions that have found computer-based claims to be valid. Although patent litigants often cite Federal Circuit precedent regarding claim construction or invalidity, many litigants are often reluctant to rely too heavily on factual analogies. That conventional wisdom does not apply in the context of Section 101 challenges. Indeed, two-thirds of the district court cases finding computer-based claims valid at the motion to dismiss stage in 2015 and 2016 specifically analogized the factual content of the claims at issue or the plaintiff's underlying rationale to those in Federal Circuit decisions.

Conclusion

The initial post-*Alice* deluge of decisions granting motions to dismiss computer-based patent infringement claims has subsided somewhat — defendants today have only slightly better than a 50 percent chance of invalidating such claims based on Section 101 at the motion to dismiss stage of litigation. That said, there is little risk of bringing Section 101 challenges early in the litigation, as courts rarely find patents eligible at that stage. Though it may be statistically more difficult to succeed on a motion to dismiss than it was two years ago, patentees should still consider vulnerabilities on eligibility early. Infringement defendants, meanwhile, should focus on minimizing issues of claim construction and factually distinguishing the claims asserted in their cases from those in the few Federal Circuit opinions finding that the subject matter is eligible for patent protection.