Portfolio Media. Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Central Calif. Courts Taking It Slow With Patent Eligibility

By **Matthew Bultman**

Law360 (March 7, 2019, 6:24 PM EST) -- A judge's decision to allow a wireless provider to amend its patent lawsuit amid an eligibility dispute is part of a developing pattern in central California, where one of the country's busiest patent courts has shown a tendency to move cautiously when deciding patent eligibility following recent Federal Circuit rulings.

Experts say that may be a harbinger of rulings to come.

Bejin Bieneman PLC attorney Peter Keros said he wouldn't be surprised to see more courts proceed slowly when deciding patent eligibility questions under Section 101 of the Patent Act.

"It seems like courts [in certain cases] want a bit more meat to chew on when deciding these eligibility issues and that they're going to let the case go on a bit ... before they ultimately make that decision," Keros said.

"Given how fast the 101 analysis is changing," he said, "that could be a trend that I see courts go."

In the recent ruling in California, U.S. District Judge John Kronstadt on Feb. 28 dismissed, without prejudice, Kajeet Inc.'s infringement complaint against Qustodio LLC, a company founded in Barcelona, Spain, in 2012. Qustodio argues that Kajeet's patents on a parental control system for smartphones are invalid because they cover only an abstract idea.

Kajeet was given two weeks to file an amended complaint with "express, factual allegations" that support its argument that the patent covers eligible subject matter under the U.S. Supreme Court's 2014 ruling in Alice v. CLS Bank, which bars patents on abstract ideas implemented on computers.

"It is not appropriate to make a determination regarding patent eligibility until after the plaintiff has had the opportunity to do so," Judge Kronstadt wrote in his order.

The ruling is the latest example of judges in the Central District of California finding it was premature to decide questions of patent eligibility in a case.

In another case last month, SkyHawke Technologies LLC was given a chance to amend a complaint involving a patent on a golf course GPS device. Before that, Hulu LLC lost its bid for an early exit in a lawsuit involving data management patents.

In each instance, judges cited Federal Circuit rulings in Berkheimer v. HP and Aatrix v. Green Shades.

"I think Judge Kronstadt is responding directly to Berkheimer and Aatrix in [Kajeet v. Qustodio]," said Kenneth Weatherwax, a founding partner of Lowenstein & Weatherwax LLP.

Turning Rule 12 on Its Head?

The Supreme Court in its Alice decision held that inventions are not eligible for a patent if they cover abstract ideas and do not transform them into something more than well-understood or conventional activities.

The Federal Circuit jolted the patent world in February 2018 with two rulings that reversed district court decisions invalidating patents under Alice.

Yar Chaikovsky, global co-chair of the intellectual property practice at Paul Hastings LLP, said in the months since those rulings patent owners have in many cases made an effort to load their complaints with factual allegations in an effort to show, in particular, the patent claims are drawn toward something innovative.

"That's what we're seeing, complaints that are longer and more detailed," he said.

This concept continues to rankle some. Rachael Lamkin, the founder of Lamkin IP Defense, a San Francisco law firm focused on defending companies against nonpracticing entities, said the idea that facts in a complaint can affect the Section 101 analysis of eligibility seems "just wrong."

In the Berkheimer case, the appeals court for the first time expressly held that determining whether a patent is invalid under Alice can involve factual questions about whether a patent contains inventive components that make it patent-eligible.

Days later, the court faulted a district court for invalidating Aatrix's data manipulation patents on a motion to dismiss. The court found there were factual disputes about whether the patents go beyond well-known activities and said Aatrix should have been allowed to amend its complaint.

Lamkin noted the dissenting opinion in Aatrix written by U.S. Circuit Judge Jimmie Reyna, who expressed concern that attempting to "shoehorn a significant factual component" into the Alice analysis could "turn the utility of the 12(b)(6) procedure on its head."

The judge was referring to the federal rule dealing with motions to dismiss for failure to state a claim.

"I don't know a single attorney from the plaintiffs bar that isn't smart enough to throw facts in the complaint that if you follow Aatrix ... would effectively destroy Rule 12 motion practice for Section 101," said Lamkin, who called the Aartrix decision a "stark deviation" from prior case law.

"That," she added, "is what I'm concerned is happening in the Central District."

Too Early to Decide

Just a couple months after the Berkheimer and Aatrix rulings, Judge Kronstadt denied a motion from Hulu seeking to dismiss Sound View Innovations LLC's lawsuit over data organization patents, saying it was too early to decide whether the disputed claims were patent-eligible.

The judge found there was a question of fact about whether a type of operator claimed in

one patent was unconventional, taking note of allegations Sound View made in its complaint. The judge said the factual dispute will "not be material or ripe until the scope of the claims is fully determined."

More recently, U.S. District Judge George Wu, who like Judge Kronstadt is in Los Angeles, said it would be premature to make a determination about the eligibility of a SkyHawke Technologies LLC patent covering golf course GPS devices that DECA Technologies Corp. is accused of infringing.

"SkyHawke will be permitted to file an amended complaint that attempts ... to provide support for any argument that the asserted claims include elements or a combination of elements that are not routine, conventional, or well-understood," Judge Wu wrote in a Feb. 4 order.

These types of decisions are not exclusive to the Central District of California. Judges in the patent-heavy districts of Delaware and the Eastern District of Texas have also denied motions on Section 101 issues after finding disputed facts prevented an early resolution.

But there is a perception that central California, in particular, appears to be closely following Aatrix and has shown an inclination to defer judgment on patent eligibility until the factual record can be developed.

That said, Tyson Benson, an attorney at Harness Dickey & Pierce PLC, noted the boundaries Judge Kronstadt set out when allowing Kajeet to amend its complaint. The judge said amendments must be "consistent with the patent intrinsic record," which includes the patent specification and claims.

Under this type of approach, a patent owner would not "be able to jumble up the record by having [statements] that say this passes muster" because the claims cover something not well-known "when actually the specification and claims state to the contrary," Benson said.

--Editing by Jill Coffey and Alanna Weissman.

All Content © 2003-2019, Portfolio Media, Inc.