Trends to Watch Based On Recent Section 101 Patent Challenges in the S.D.N.Y.

By Wendy R. Stein and Donald R. Bunton

Ever wonder how patent eligibility challenges are faring in the "Mother Court"?

Based on Docket Navigator data, in 2021 patents challenged under 35 U.S.C. § 101 in the U.S. District Court for the Southern District of New York were invalidated 71.4% of the time—up from 63.6% in 2020. While the percentage of ineligibility rulings has decreased since 2019, in which all S.D.N.Y. decisions to address 101 eligibility found the patents at issue invalid, the number of cases have increased from 3 in 2019 to 11 in 2020 and are on pace for 10 this year. These trends not only reflect a significant increase in number of 101 challenges in the Mother Court, but suggest a greater than 60% chance that a patent challenged under Section 101 in the S.D.N.Y. will be found invalid. This article discusses six court decisions issued in 2021, along with related implications for patentees and alleged infringers.

Background

Under the U.S. patent statutes, "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor[.]" *See* 35 U.S.C. § 101 ("Section 101"). However, laws of nature, natural phenomena and abstract ideas are not eligible for patenting. *See Perry Street Software, Inc. v. Jedi Techs., Inc.,* Civ. No. 20-04539, 2021 WL 3005597, at *9 (S.D.N.Y. July 13, 2021), citing *Alice Corp. v. CLS Bank, Int'l*, 573 U.S. 208, 216 (2014) ("*Alice*").

To determine patent eligibility post *Alice*, courts assess whether the claims of a patent-in-suit are directed to a patent-ineligible concept such as an "abstract idea." Under this first step, claims directed to longstanding commercial practices have been found to be abstract. *See Elec. Commc'n Techs., LLC v. ShopperChoice.com,* 958 F.3d 1178, 1182 (Fed. Cir. 2020). Further, if a court finds that the patent does claim an abstract idea, it proceeds to examine whether elements of the claims provide an "inventive concept" sufficient to transform the abstract idea into patent-eligible subject matter. Courts have held that merely implementing an abstract idea using conventional computer components does not provide an inventive concept under this second step. *Id*. at 1183.

In 2021, the U.S. District Court for the Southern District of New York issued at least six notable decisions wrestling with these issues—four of which found patents invalid under Section 101 and the *Alice* framework.

In *Perry Street Software*, currently on appeal to the Federal Circuit, the court granted a motion for judgment on the pleadings that the patent-in-suit related to matchmaking was invalid. *See Perry Street Software*, 2021 WL 3005597, at *1. Applying the first step of *Alice*, the court reiterated the principle that "facilitating human interactions or relationships – which could occur offline and without automation – is not a patent-eligible idea." *Id*. at *10. Applying *Alice* step two, the court reasoned that the claims merely "automated" a process that had long been performed manually and did not contain any discernable inventive concept. *Id*.

In *Weisner v. Google*, also on appeal to the Federal Circuit, the court considered the eligibility of four patents related to the collection and recording of user movement and location history. Civ. No. 20-2862(AKH), 2021 WL 3193092 (S.D.N.Y. July 28, 2021). Applying *Alice* step one, the court ruled that the patents were directed to an abstract idea, in that people have long kept records of location and travel history in travel logs, diaries, journals, and calendars. Applying *Alice* step two, the court found no inventive concept because the patents relied on existing technology and did not provide any improvement to the relevant technology.

In *Jewel Pathway LLC v. Polar Electro Inc*., the court determined that claims relating to environmental modeling to generate a traversable path in an area were directed to an abstract idea and did not contain a discernable improvement to the relevant technology. Civ. No. 20-4108(ER), 2021 WL 3621885 (S.D.N.Y. Aug. 16, 2021). Likewise, in *RDPA, LLC v. Geopath, Inc.,* No. 20-CV-3573 (LJL), the court rejected the eligibility of claims directed to a system and method for using monitoring devices to assess the exposure of media displays. 2021 WL 2440700, at *2 (S.D.N.Y. June 15, 2021). Under *Alice* step 1, the court found the claims directed to an abstract idea. Further, under *Alice* step 2, the court found no improvement to the relevant technology and accordingly, no inventive concept.

As of the writing of this article, two patents have survived patent eligibility challenges in the S.D.N.Y. in 2021. First, in *Chewy, Inc. v. Int'l Bus. Machines Corp*., the court considered four patents related to formatting web content, uncluttering hyperlinks, magnifying web content, and associating search result items with similar or related advertisements. Civ. No. 21-1319(JSR), 2021 WL 3727227 (S.D.N.Y. Aug. 23, 2021). Applying the *Alice* framework, one patent survived a 101 challenge completely while the court deferred a final decision on three others until after claim construction.

The second patent to survive a 101 challenge in 2021 was a patent directed to a setting for gemstone arrangements that changed color under certain conditions. *See Jacob's Jewelry Co., Ltd. v. Tiffany & Co*., Civ. No. 20-4291(KPF), 2021 WL 2651656 (S.D.N.Y. June 28, 2021). There, the court reasoned that the claims satisfied *Alice* step 1 because they "creat[ed] color-changing surfaces without requiring the application of a topcoat to the stones or the use of natural or synthetic gemstones that exhibit color change on their own." *Id*. at *4. The court further reasoned that even if the claims had not satisfied *Alice* step 1, the "specific stone arrangements set forth in the [p]atent constituted an 'inventive concept' that harnesse[d] the natural phenomenon of light reflection and refraction in a way that claim[ed] to be distinct from, and an improvement upon, the existing art." *Id*.

So what do these trends mean for alleged infringers challenging patents under Section 101 and those defending eligibility of issued patents post-*Alice* in the Mother Court?

First, the S.D.N.Y. may not be the best venue for patentees to assert patents vulnerable to 101 eligibility attacks. For example, in 2021, according to Docket Navigator, under 50% of patents challenged in jurisdictions such as the District of Delaware, Eastern District of Texas and Northern District of Illinois led to a patent ineligibility ruling under Section 101. These may be better venues to file infringement complaints if patent venue can be secured there.

Second, defendants sued for infringing patents vulnerable to 101 attacks may want to waive venue or other challenges and stay in the S.D.N.Y. if sued there, though the landscape may change if the *Perry Street Software* and/or *Weisner* decisions are reversed or vacated on appeal.

Finally, a relevant national trend further impacting these local trends is the Federal Circuit's extension of *Alice* far beyond software and business method claims. This summer, in *Yu v. Apple Inc.*, claims directed to a digital camera were held invalid under Section 101. 1 F.4th 1040 (Fed. Cir. 2021). This extended *Alice*'s impact even farther than the 2019 ruling in *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, which held claims directed to a method of manufacturing an axle to be invalid under Section 101. 967 F.3d 1285 (Fed. Cir. 2019). These decisions underscore the reality that post-*Alice*, almost any patent may be challenged under Section 101, even those historically not vulnerable to such an attack. Further, with clogged dockets due to Covid, judges may be tempted to follow this trend and use Section 101 to rid their dockets of patent cases, which are perceived by some as requiring more judicial resources than other cases. These trends demonstrate that—like it or not—the Supreme Court's *Alice* decision has led Section 101 to gain more significance in mainstream patent litigation, in the S.D.N.Y. and beyond.

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