

Post-trial patent eligibility

THE CASE:

iLife v Nintendo

District Court for the Northern District of Texas

17 January 2020

Ryan Meyer looks at the latest case to push the boundaries of patent eligibility to the post-trial frontier

Patent litigators and prosecutors should pay heed to a recent decision from the US District Court for the Northern District of Texas, *iLife v Nintendo*,¹ because it may signal a new and problematic trend for both patent owners and accused infringers. *iLife* is noteworthy because the patent ineligibility issue was decided in a post-trial judgment as a matter of law (JMOL) despite having been fully-briefed for summary judgment before trial and not being presented to the jury. In addition, *iLife* provides another data point in the ever growing, but often confusing, subject of patent ineligibility case law.

Troubling reversal of fortune

A change in the law, the whims of a judge, and other variables can suddenly change the fortune of any party in a patent case. *iLife* is a disconcerting example of how fickle fate can be for patent litigants. In 2013, *iLife* sued Nintendo for infringing its US patent no 6,864,796 (the '796 patent). The claims were directed to a system for sensing and evaluating the movement of a user relative to the user's environment. The accused products were Nintendo's Wii and Wii U consoles, which permit users to play video games by physically moving Wii remote controllers in front of a sensor bar.

The litigation went relatively well for *iLife* through trial. The asserted claim of the '796 patent, claim 1, survived *inter partes* review before the Patent Trial and Appeal Board (PTAB). The court granted partial summary judgment in favour of *iLife* with respect to certain of Nintendo's defences. Then, after a six-day trial, the jury found Nintendo to be liable for infringement and awarded *iLife* damages of \$10m. Of course, receiving a damages award from a jury is only one stepping stone to getting money from a defendant. Over two years after the end of

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trial, the court issued a JMOL that claim 1 is directed to patent ineligible subject matter and is therefore invalid under 35 USC section 101 of the US Patent Act. This order overturned the jury award and transformed Nintendo's defeat into a victory.

However, Nintendo's victory was bittersweet since it appears that the patent ineligibility issue could have been decided much earlier. Nintendo moved for partial summary judgment as to patent ineligibility three months before trial, and the parties fully briefed the issue. Rather than deciding the issue on summary judgment, the court “carried” the issue through trial.² The issue was not presented to the jury because, as the court noted in its JMOL order, patent ineligibility is a matter of law for the court to decide. Thus, although the court seemingly could have decided the issue before trial and saved the parties and court considerable time and money.

The court did not explain in its JMOL order (its summary judgment order was filed under seal) why it chose to carry the issue through trial. The docket yields few clues since most of

the relevant briefing and related documents were filed entirely under seal. The JMOL order itself indicates, but does not expressly state, that the court might have been waiting for more evidence before making its decision. After finding that claim 1 is directed to an abstract idea, the court states in a footnote that “[e]vidence introduced at trial supports this finding” and cites to inventor and expert testimony in the trial transcript.³ This suggests that evidence presented to the jury regarding other issues may have helped the court decide whether claim 1 is directed to patent ineligible subject matter.

Differently drafted claims might have yielded a different result

To comply with section 101, patentees must draft their claims to describe a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof...” The Supreme Court of the US (SCOTUS) has established a two-step process for determining if subject matter is patent eligible under section 101. First, a court must determine if the claim is directed to a per se patent-ineligible concept, such as laws of nature, natural phenomena, or abstract ideas. If it is, the court must next consider whether the claim elements individually or in an ordered combination transform the nature of the claim into patent-eligible subject matter, or, in other words, whether the claim contains an inventive concept.

Claim 1 of the '796 patent fails both steps of this test, but the JMOL order highlights how a narrower claim might have survived. *iLife* argued certain features discussed in the specification but not recited in claim 1 evidenced an inventive concept. But, as explained in the JMOL order, inventive features disclosed in the specification count only if they are also contained in the claims. Thus, the court concluded that claim 1 recited an

abstract idea implemented using conventional computer components and was therefore invalid under section 101.

iLife demonstrates the importance of strategic claim drafting and being mindful of what makes a claimed invention inventive. The '796 patent discloses features that might constitute an inventive concept, but *iLife* chose to omit those features from claim 1. As a result, *iLife* received a broad claim that covers more than the preferred embodiment, but fails to capture the truly inventive features of *iLife*'s technology. This decision is a warning to patentees, particularly with respect to computer hardware-implemented inventions, that overly broad claims are more likely to be patent ineligible. As a precaution, patentees should identify the most inventive features of their technology and draft at least some claims directed specifically to those features.

New trend

Courts and parties have a strong incentive to decide section 101 issues early, because a final decision on patent ineligibility could save everyone significant time and money. However, time and money will be wasted if an issue is decided incorrectly and is subsequently reversed or vacated on appeal. In two 2018 decisions, *Berkheimer v HP Inc*, 881 F.3d 1360 (Fed Cir 2018) and *Aatrix Software, Inc v Green Shades Software, Inc*, 882 F.3d 1121 (Fed Cir 2018), the Federal Circuit reversed district court findings of patent ineligibility that were decided too early in the litigation. In each case, the Federal Circuit concluded that findings of patent ineligibility were premature because there were unresolved issues of fact. While the Federal Circuit confirmed that determining patent ineligibility is a question of law for the court, the inquiry may involve underlying questions of fact that may preclude dismissal at the pleadings stage or summary judgment.

The *Berkheimer* and *Aatrix* decisions will likely discourage district courts from deciding section 101 issues early in the litigation, since deciding those issues later has a lower risk of being overturned. The *iLife* court chose to delay its section 101 decision before *Berkheimer* and *Aatrix* issued, but its conduct is nonetheless consistent with both of those cases. The court may have felt that its decision would be less likely to be reversed or vacated once trial was over and every potentially relevant fact was entered into the record. After *Berkheimer* and *Aatrix*, waiting to decide section 101 issues as a JMOL, like the court did in *iLife*, may become more common. Patent owners and accused infringers should, therefore, not expect patent ineligibility to be resolved early in the litigation.

There are steps that patent owners and accused infringers can take to deal with this

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trend. First parties should position themselves to increase the chance of an early section 101 decision, particularly by summary judgment. Moving to dismiss at the pleading stage based on patent ineligibility may be an uphill battle since the court may consider only facts alleged in the complaint, attachments to the complaint, and materials subject to judicial notice. However, summary judgment can rely on other evidence in the record. Accordingly, parties should strategically prioritise their discovery to identify relevant documents, testimony, etc relating to patent eligibility as soon as possible.

Testimony from inventors, experts, and other relevant technical witnesses, either in the form of deposition transcripts or declarations, may be particularly helpful for tying the rest of the evidence together. A moving party should then use that evidence to convince the court that (1) it has all of the pieces necessary to decide whether a claim is invalid under section 101 and (2) postponing the decision is unnecessary and will only waste the court's and the parties' resources.

If the district court declines to decide patent ineligibility issues before trial, the parties should cover those issues at trial, even if patent eligibility is not an issue to be presented to the jury. The *iLife* court may have



delayed its section 101 decision because of unspecified underlying factual issues, but it did not permit those issues to be presented to the jury. Nonetheless, the court pointed to trial testimony to confirm its finding that claim 1 of the '796 patent was directed to an abstract idea. Patent litigators should not forget that, during a jury trial, they are presenting evidence and arguments to both the judge and the jury at the same time. And evidence and arguments can perform double duty. Therefore, litigants should tailor their trial strategy so that any evidence presented to the jury regarding a jury issue can also persuade the judge on non-jury issues.

iLife may be the start of a trend for determining patent eligibility post-trial. Parties should be prepared for the long haul, but also take steps to maximise the possibility of resolving section 101 issues before trial. Patent owners can avoid section 101 issues altogether by being mindful of what makes their claimed technology inventive and avoiding overly broad claims.

Footnotes

1. Case No 3:13-cv-4987-M, 2020 US Dist LEXIS 10018 (ND Tex 17 Jan 2020).
2. Id at *4, n2.
3. Id at *7, n3.

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