

# Alice Step 2 Trends Show Courts' Extrinsic Evidence Reliance

By **Jonathan Tuminaro** (July 29, 2024)

The Alice two-part framework for determining patent eligibility, established by the U.S. Supreme Court's 2014 ruling in *Alice Corp. v. CLS Bank International*, has been around for over a decade.[1]

Courts initially treated both steps in the Alice framework as questions of law, making it an effective basis for accused infringers to get out of a case with an early motion.

But, in *Berkheimer v. HP Inc.* in 2018, the U.S. Court of Appeals for the Federal Circuit made clear that Alice Step 2 involves factual inquiries that may not be amenable to resolution at the motion-to-dismiss stage.[2] This article examines recent trends in how district courts are treating such motions under Alice Step 2.



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## The Alice Two-Part Framework and Its Application Over the Past 10 Years

The well-known Alice test for patent eligibility involves two steps. Alice Step 1 asks if the patent claims are directed to an abstract idea or other patent-ineligible subject matter.

If so, Alice Step 2 asks if there is an "inventive concept" in the claim language that transforms the abstract idea into patent-eligible subject matter.[3] An inventive concept must be "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." [4]

Over the past 10 years, the likelihood of succeeding on a motion to dismiss under Alice has varied widely by jurisdiction, as illustrated in Figure 1 below.

The jurisdictions most likely to deny a motion to dismiss under Alice have been the Eastern District of Texas and the Western District of Texas. Conversely, the jurisdictions most likely to grant such a motion have been the Southern District of New York and the Northern District of California.

Court	Granted	Partial	Denied w/o Prejudice	Denied	n
DDE	35%	16%	12%	36%	170
NDCA	57%	17%	6%	20%	103
CDCA	45%	21%	10%	25%	73
EDTX	25%	11%	21%	43%	61
WDTX	8%	5%	24%	63%	38
SDNY	70%	10%	0%	20%	30
<b>Grand Total</b>	<b>40%</b>	<b>15%</b>	<b>12%</b>	<b>33%</b>	<b>475</b>

Figure 1: Grant rate for motions to dismiss under Alice from 2014 to 2024

The discrepancy in the grant rate for motions to dismiss under Alice is one factor contributing to the perception that jurisdictions, like the U.S. District Courts for the Eastern District of Texas and the Western District of Texas, are patent friendly.

It is also likely a significant factor that pushes accused infringers to file motions to transfer if they find themselves in one of those jurisdictions.

## **District Courts' Reasons for Denial**

The primary reason district courts have given when granting motions to dismiss under Alice Step 2 was that the patent claims were broad, generic, or simply took an abstract idea and said "apply it." [5]

For example, in *Receivership Estate of AudienceScience Inc. v. Google LLC*, the U.S. District Court for the Northern District of California granted the accused infringer's motion to dismiss under Alice because "neither the claim[s] nor the specification provide for implementation of the abstract idea using anything other than existing, conventional technology." [6]

Courts also granted motions to dismiss under Alice after finding that the patent owner did not sufficiently detail where — in the claim language — the "inventive concept" was supposedly found. [7]

In *Helios Streaming v. Warner Brothers Discovery*, for example, the U.S. District Court for the Central District of California granted the accused infringer's motion to dismiss under Alice because the "claim does not include, and [the patent owner] does not argue that it includes, anything else other than generic computer functions and components." [8]

Over the past year, courts have given various reasons for denying motions to dismiss under Alice. First, courts have relied on information contained in the pleadings that show the industry's reaction to the claimed invention to determine if it includes an unconventional concept or if it is merely "well-understood, routine, and conventional" under Alice Step 2. [9]

For example, in *Take2 Technologies v. Pacific Biosciences*, the Northern District of California found under Alice Step 2 that the challenged claims recited an unconventional concept by looking to the complaint's allegations that "a scientific journal published a research article regarding the [claimed] technique" and that the accused infringer "itself described the claimed invention as a new development." [10]

Similarly, in *Scientific Applications & Research Associates v. Zipline International*, the Northern District of California looked to public statements made by the chief technology officer of the accused infringer's company to show that the claim language in the challenged patent was not "well understood, routine, conventional activity previously engaged in by scientists who work in the field." [11]

Second, courts have denied motions to dismiss under Alice when the accused infringer failed to address or engage with a finding of inventiveness in the prosecution history.

For example, in *Tiare Technology Inc. v. Dine Brands Global Inc.*, the patent owner argued, under Alice Step 2, that its own self-serving statements from the prosecution history demonstrate that the claimed invention achieves an unconventional result. [12]

Although the court agreed with the accused infringer that "the prosecution history does not decide this issue," the court ultimately denied the motion to dismiss because the accused infringer had "not presented evidence to rebut" the patent owner's argument that the prosecution history shows "the patents in suit achieve an unconventional result." [13]

Similarly, in *Ask Sydney v. Amazon.com*, the U.S. District Court for the Western District of Texas noted that it "may take judicial notice of government records, like prosecution history available on the U.S. Patent & Trademark Office's Public PAIR site, even when resolving a 12(b)(6) motion."<sup>[14]</sup> Although such findings are not binding on a district court, the court ultimately denied the accused infringer's motion to dismiss because it presented arguments that had been "considered and refuted by the USPTO."<sup>[15]</sup>

Finally, courts have denied motions to dismiss under Alice when it would have been more efficient for the judicial system to simply move forward with the case rather than have the court make a determination at the motion-to-dismiss stage.

Examples include a case where claim construction had not yet occurred and there was nothing in the pleadings suggesting how a person of ordinary skill in the art would have interpreted the disputed language,<sup>[16]</sup> and a case where an accused infringer only challenged the first claim of each patent and did not address all of the independent claims, which would naturally be narrowed in the ordinary course of litigation.<sup>[17]</sup>

### **Takeaways for Patent Owners and Accused Infringers**

Recent cases show that courts have increasingly relied on extrinsic evidence to help determine whether a claimed invention is "well-understood, routine, and conventional" under Alice Step 2.

This extrinsic evidence has included, for example, scientific articles, press releases, public statements by the accused infringer, public statements by the accused infringer's employees and patentability findings by the USPTO during prosecution.

In view of this recent trend, patent owners should consider ways to incorporate such extrinsic evidence into their complaints to help stave off a subsequent patent-eligibility challenge under Alice.

For example, during patent prosecution, patent owners should consider including declarations and other self-serving arguments that could help to oppose any later-filed motion to dismiss under Alice. And, when drafting a complaint, patent owners should consider including the industry's reaction to the claimed invention, which could help show under Alice Step 2 that the claimed invention is not well-understood, routine or conventional.

Accused infringers should also be mindful of how extrinsic evidence might be used under Alice Step 2. When preparing a motion to dismiss under Alice, accused infringers should be sure to address arguments and evidence from the prosecution history of the challenged patent.

Accused infringers should also monitor their own public statements, including statements made by the company's executives, as those statements could potentially come back to haunt them in a later-filed motion to dismiss under Alice.

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[1] Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 573 U.S. 208 (2014).

[2] Berkheimer v. HP Inc., 881 F.3d 1360, 1368 (Fed. Cir. 2018).

[3] Alice, 573 U.S. at 221.

[4] Mayo Collaborative Servs. V. Prometheus Labs. Inc., 566 U.S. 66, 73 (2012).

[5] Validity Inc. v. Project Bordeaux Inc., 2023 WL 6200287, at \*10-\*11 (D. Del. Sept. 22, 2023); Throughtek Co. Ltd. v. Reolink Innovation Inc., 2024 WL 1701841, at \*12 (D. Del. Apr. 19, 2024); VideoLabs Inc. v. Meta Platforms Inc., 2024 WL 1716665, at \*8 (D. Del. Apr. 22, 2024); 10Tales Inc. v. TikTok Inc., 2024 WL 1446463, at \*11 (N.D. Cal. Apr. 2, 2024).

[6] Receivership Estate of AudienceScience Inc. v. Google LLC, 2024 WL 1975473, at \*10 (N.D. Cal. May 2, 2024).

[7] Cambridge Mobile Telematics Inc. v. Zendrive Inc., 2023 WL 6295338, at \*6-7 (D. Del. Sept. 27, 2023); Technology in Ariscale LLC v. Razer USA Ltd., 2024 WL 1548636, at \*4-5 (C.D. Cal. Mar. 4, 2024).

[8] Helios Streaming LLC v. Warner Bros. Discovery Inc., 2024 WL 1824996, at \*7 (C.D. Cal. Jan. 30, 2024)

[9] Take2 Techs. Ltd. v. Pacific Biosciences of Cal. Inc., 2024 WL 1260583, at \*8 (N.D. Cal. Mar. 25, 2024); Scientific Applications & Research Associates, Inc. v. Zipline Int'l Inc., 2024 WL 2852139, at \*6-\*7 (N.D. Cal. Jun. 4, 2024).

[10] Take2 Techs., 2024 WL 1260583, at \*8.

[11] Scientific Applications, 2024 WL 2852139, at \*6 \*7 (quoting Mayo, 556 U.S. at 79).

[12] Tiare Tech. Inc. v. Dine Brands Global Inc., 2024 WL 607416, at \*5-6 (E.D. Tex. Jan. 12, 2024), adopting Report and Recommendation, 2024 WL 897588 (Mar. 1, 2024).

[13] Id., at \*6.

[14] Ask Sydney LLC v. Amazon.com Services LLC, 688 F.Supp.3d 403, 417 (W.D. Tex. 2023) (quoting Vervain LLC v. Micron Tech. Inc., 6:21-cv-487-ADA, 2022 WL 23469, at \*5 n.2 (W.D. Tex. Jan. 3, 2022)).

[15] Id., at 419.

[16] Zilkr Cloud Tech. LLC v. Cisco Systems Inc., 2023 WL 4281746, at \*3 (E.D. Tex. June 12, 2023), adopting Report and Recommendation, 2023 WL 4271524 (Jun. 29, 2023).

[17] Trackthings LLC v. Netgear Inc., 2023 WL 4926184, at \*11-12 (D. Del. Aug. 2, 2023), adopting Report and Recommendation, 2023 WL 5993186 (Sept. 15, 2023).