

**Keywords:** 35 U.S.C. § 101, abstract idea, Rule 12(b)(6)

**General:** The specification does not need to expressly list why the claimed invention is unconventional if the claims recite what is inventive, *Berkheimer* applies to motions under Rule 12(b)(6) in addition to applying at the summary judgment stage, and the presumption of patent validity includes a presumption of patent-eligibility.

*Cellspin Soft, Inc. v. Fitbit, Inc.*

United States Court of Appeals for the Federal Circuit

Nos. 2018-1817, 2018-1819, 2018-1820, 2018-1821, 2018-1822, 2018-1823, 2018-1824, 2018-1825, 2018-1826, 2018-2178, 2018-2179, 2018-2180, 2018-2181, 2018-2183, 2018-2184

Decided: June 25, 2019

**I. Facts**

Cellspin Soft, Inc., (“Cellspin”) was issued U.S. Patent No. 8,7388,749 (“the ‘749 patent”) and U.S. Patent No. 8,892,752 (“the ‘752 patent”) in 2014, U.S. Patent No. 9,258,698 (“the ‘698 patent”) in 2016, and U.S. Patent No. 9,749,847 (“the ‘847 patent”) in 2017. The patents share the same specification and generally relate to connecting a data capture device, like a digital camera, to a mobile device so a user can automatically publish content from the data capture device to a website. The ‘749 patent generally claims a push mode in which a data signal is sent from a data capture device to a mobile device to initiate a data transfer and a pull mode in which the mobile device polls the Bluetooth enabled data capture device to ask whether the data capture device has files to upload. The ‘752 patent includes adds two requirements to the limitations of the ‘749 patent; a) the mobile device and data capture device establishes a connection using a cryptographic encryption key (to allow each device to authenticate the identity of the other so the data capture device can trust that its data is being securely transmitted to the right mobile device) and b) the mobile device transmits data from the mobile device to an internet service according to the hypertext transfer protocol (“HTTP”).

The ‘698 patent differs from the ‘794 patent and the ‘752 patent in that the ‘698 patent does not claim a generic data capture device nor does it mention Bluetooth and instead recites a digital camera that communicates with a cellular phone using short-range wireless signals. The ‘847 patent is substantially similar to the ‘752 patent in that the ‘847 patent recites a Bluetooth enabled data capture device that can establish a connection with a mobile device after cryptographically authenticating the identity of the Bluetooth enabled cellular phone and before transmitting data and the ‘847 also recites that the mobile device includes a mobile application that listens for an event notification sent from the Bluetooth enabled data capture device, wherein the event notification corresponds to the acquired new data, and that the mobile application uses HTTP to transfer the new data to a website over a cellular data network.

Cellspin sued multiple parties, including Fitbit, Inc., Moov, Inc., Nike, Inc., Fossil Group, Inc., Misfit, Inc., Garmin International, Inc. and Garmin USA, Inc. (“Garmin”), Canon U.S.A., Inc., GoPro, Inc., Panasonic Corporation of America, and JK Imaging LTD (collectively “Appellees”), in the Northern District of California alleging infringement of various claims of the four asserted patents.

In response, Appellees, except for Garmin, jointly moved to dismiss under Rule 12(b)(6), arguing that the patents were ineligible for patent protection under 35 U.S.C. § 101. Garmin separately filed a similar motion to dismiss. Cellspin then filed a notice of supplemental authority citing *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018), and *Berkheimer v. HP*

*Inc.*, 881 F.3d 1360 (Fed. Cir. 2018). Cellspin also amended its complaints on March 2, 2018, a few days before the district court’s scheduled hearing on Appellees’ motions to dismiss.

At the hearing, the district court applied the two-step framework for analyzing patent eligibility articulated in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), and *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014). At step one, the district court found that the asserted claims used “generic computer hardware and software components” to automate the conventional, manual process of transferring data from one device to another. At step two, the district court found that the asserted claims did not recite an “inventive concept” to transform the claims into a patent-eligible application. The district court acknowledged Cellspin’s argument that there was a factual dispute about whether the combination of the claim elements were “well-understood, routine, and conventional.” However, the district court concluded that it need not reach the issue and granted the motion after distinguishing the facts from *Berkheimer*, which arose at the summary judgment stage instead of in the context of a motion to dismiss, and faulting Cellspin for failing to identify support in the specification that described the alleged inventive concepts.

After the district court granted the motion to dismiss, Appellees moved for attorney fees under 35 U.S.C. § 285. The district court subsequently granted attorney fees, finding the case “exceptional” because (1) Cellspin’s claims were manifestly directed to an abstract idea and “exceptionally meritless”; (2) Cellspin litigated its claims “aggressively,” refusing to stay discovery until after the hearing and amending its complaint three days before the hearing; and (3) Cellspin did not analyze its patents critically before filing suit.

## **II. Issues**

- 1) Did the district court err in finding that the asserted patents were directed to an abstract idea?
- 2) Did the district court err in the inventive concept inquiry in rejecting Cellspin’s allegations about why the claimed inventions were not well-understood, routine, or conventional?
- 3) Did the district court err in granting attorney fees to Appellees?

## **III. Discussion**

1. No, the court found that the district court correctly determined the asserted claims to be directed to an abstract idea in step one of the Section 101 analysis. The court agreed with the district court finding that the claims were directed to the idea of capturing and transmitting data from one device to the other. Cellspin’s arguments that the claims recite technical improvements to a data capture device by allowing even internet-incapable capture devices to transfer newly captured data to the internet via an internet capable mobile device were not persuasive, as the court pointed out that the shared specifications of the patents acknowledges that users could already transfer data from a data capture device - even an Internet-incapable device - to a website using, for example, a cable, such as a USB cable. Therefore, while the claims offered a way to automate the transfer process, a need to perform tasks automatically is not a unique technical problem. The automation of the transfer process in the claims was found not to represent an improvement to computer functionality itself and, therefore, the claims were found to be directed to an abstract idea.

2. Yes, the court found that the district court improperly ignored Cellspin’s allegations that the claimed inventions were something more than an abstract idea using well-understood, routine, or conventional activities previously known to the industry. In step two of the Section 101 analysis,

consideration of whether the claimed elements, individually and as an ordered combination, recite an inventive concept is undertaken, where the inventive concept reflects something more than the application of an abstract idea using “well-understood, routine, and conventional activities previously known to the industry.” *Aatrix*, 882 F.3d at 1128.

Cellspin identified several ways in which its application of capturing, transferring, and publishing data was unconventional. For example, prior art data capture devices that included mobile wireless internet were bulky, included expensive hardware, and required extra/separate cellular service for the device. Cellspin argued that in viewing these devices, it was unconventional to separate the steps of capturing and publishing data so that each step would be performed by a different device linked via a wireless, paired connection. Cellspin also argued that their data capture device leverages the hardware and software on a user’s mobile device, so that their data capture device can be smaller and cheaper to build, since it does not require hardware and software components that might be needed to store data or publish it onto the Internet. Other advantages include the ability to control several data capture devices with one mobile device and the ability to upload data when the data capture device is physically inaccessible to a user. Cellspin further argued that its specific ordered combination of elements was inventive, since (in contrast to prior art data capture devices) the claimed inventions require establishing a paired connection between the mobile device and the data capture device before data is transmitted, which ensures that data is only transmitted if the mobile device is capable of receiving it.

The court found that the district court improperly applied *Aatrix* when discounting the above allegations and improperly faulting Cellspin for failing to show support in the specification describing the inventive concepts. The court clarified that *Aatrix* provides that as long as what makes the claims inventive is recited in the claims, the specification need not expressly list all the reasons why the claimed invention is unconventional. It further explained that the district court finding *Berkheimer* inapplicable to Rule 12(b)(6) motions was incorrect because *Aatrix* explicitly stated that “patentees who adequately allege their claims contain inventive concepts survive a 35 U.S.C.S. § 101 eligibility analysis under Fed. R. Civ. P. 12(b)(6),” and the principle was implicit in *Berkheimer*. The court concluded that, after accepting Cellspin’s allegations as true, a determination of validity could not be made based on the limited record before it.

3. Yes, the court addressed the errors in the district court’s attorney fees analysis since it could remain an issue on remand. The court found district court’s reasoning flawed because (1) patents granted by the Patent and Trademark Office are presumptively valid, and the district court incorrectly concluded that issued patents are presumed *valid* but not presumed *patent eligible*; and (2) Cellspin’s amendments were timely based on a scheduling order entered by the district court. Cellspin’s amendments were also justified because *Berkheimer* and *Aatrix* were decided a few weeks earlier.

#### **IV. Conclusion**

The court ruled that the district court erred in not accepting Cellspin’s allegations as true at the second step of the *Alice* framework. Accepting the allegations as true, the court could not say whether the asserted claims were ineligible under § 101 as a matter of law. The Court vacated the district court’s dismissal, vacated the award of attorney fees, and remanded the case for further proceedings consistent with its opinion.