

**FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING AUGUST 4, 2023****Teradata Corp. v. SAP SE, No. 2022-1286 (August 1, 2023) (nonprecedential); Patent Nos. 9,626,421, 8,214,321, and 7,617,179****Key points:**

- The operative complaint for determining jurisdiction at the Federal Circuit is the live complaint, which can be the amended complaint, not the original complaint.
- If patent infringement allegations may be brought in a separate action, those allegations do not qualify as compulsory counterclaims.
- Having some overlap in claims and counterclaims does not make the issues “largely the same” or make the evidence supporting or refuting the particular claims and counterclaims “substantially the same.”

**Facts/Background:** Teradata Corp. (hereinafter “Teradata”) sued SAP SE (hereinafter “SAP”), alleging that SAP tied the offering of two of its products together in violation of antitrust law, and that SAP misappropriated Teradata’s trade secrets. SAP filed counterclaims asserting that Teradata infringed SAP’s ‘424, ‘321, and ‘179 patents. The district court granted summary judgment in favor of SAP on Teradata’s tying and technical trade secret claims (while staying proceedings on Teradata’s business trade-secret claim and SAP’s patent counterclaims). Teradata appealed to the Federal Circuit. The Federal Circuit decided the appeal based only on the issue of the Federal Circuit’s jurisdiction, which Teradata and SAP agreed depends on whether SAP’s patent infringement counterclaims arise out of the same transaction or occurrence as Teradata’s technical trade secret claims, making them compulsory counterclaims.

**Holding:** Transferred. Teradata contends that SAP’s patent infringement counterclaims are compulsory because they arise out of the same transaction or occurrence that is the subject matter of Teradata’s trade secret claims. Relying on the trade secret claims, which were narrowed in the amended complaint, the Federal Circuit concluded that while there was some technical field overlap between the elements of the trade secret misappropriation claim and the patent infringement counterclaims that would necessitate that a factfinder develop an understanding of the technical background of both claims, some field overlap did not make the issues “largely the same” or the relevant evidence “substantially the same.” Because the elements of trade secret misappropriation and patent infringement applied to the parties’ different products, proof of the different claims would not rely on substantially the same evidence. Relevant to its determination, the Federal Circuit observed that Teradata acknowledged that SAP could bring its patent infringement allegations in a separate action—a clear indication that such counterclaims were not compulsory. Accordingly, SAP’s ‘421, ‘321, and ‘179 patent infringement counterclaims were not compulsory and therefore could not support jurisdiction for the Federal Circuit. Accordingly, the Federal Circuit transferred the appeal to the Ninth Circuit.

**Realtime Data LLC v. Array Networks Inc., No. 2021-2251 (August 2, 2023) (nonprecedential); Patent Nos. 9,054,728; 8,933,825; 8,717,203; 9,116,908; 7,415,530; 10,019,458; and 9,667,751**

**Key point:**

- To be eligible under 35 U.S.C. § 101, functional claims (and the associated specification) must identify how the functional results are achieved by limiting the scope of the claims to structures specified at some level of concreteness in the case of a product claim, or to concrete action in the case of a method claim.

**Facts/Background:** Realtime Data LLC (hereinafter “Realtime”) sued Array Networks Inc. (hereinafter “Array”), alleging infringement of various claims of the ‘728, ‘203, ‘908, ‘530, and ‘751 patents. All the patents generally relate to methods and systems for digital data compression to improve speed and storage capacity. The district court issued an oral ruling dismissing the claims involving all patents for lack of subject matter eligibility under Section 101. Realtime appealed the ruling to the Federal Circuit. On appeal, the Federal Circuit vacated and remanded for the district court to provide a more detailed Section 101 analysis, stating that the district court provided too cursory a ruling. Following remand, the district court found that all asserted patents were invalid under Section 101 because the claims were directed to an abstract idea and dismissed Realtime’s complaint without prejudice to amend. After Realtime amended the complaint, and on a renewed motion to dismiss on the same grounds, the district court reaffirmed its prior analysis and dismissed the claims. Realtime appealed.

**Holding:** Affirmed. On appeal, Realtime argued that the claims were not directed to abstract ideas under step one of the *Alice* Section 101 analysis, but rather “to specific improvements to digital data compression.” The Federal Circuit disagreed, holding that each of the claims at issue failed to have the “specificity required to transform the claim from one claiming only a result to one claiming a way of achieving it,” and did not go beyond merely stating a functional result or identify how the functional result is achieved by limiting the claim scope to some level of concreteness. Rather, the claims merely take the availability of compression techniques as a given and address the threshold matter of choosing to use one or more such available techniques. The Federal Circuit held that the claims recited “data manipulation” at a “high level of result-oriented generality,” that the claims lacked “sufficient recitation of how the purported invention[s]” accomplish the results, and therefore that the claims were only implementations of abstract ideas. Under step two of the *Alice* Section 101 analysis, the Federal Circuit concluded that nothing in the claim limitations or their combination of elements transformed the claims into patent eligible subject matter, and that “merely reciting an abstract idea performed on a set of generic computer components, as [the claims] do here, would not contain an inventive concept.” As a result, the Federal Circuit affirmed the district court, holding that the asserted claims lacked an inventive concept and were accordingly directed to patent ineligible subject matter.