

# Berkheimer v. HP Inc., 881 F.3d 1360 (Fed. Cir. 2018)

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***BERKHEIMER v. HP INC.,***  
**881 F.3D 1360 (Fed. Cir. 2018)**

**I. INTRODUCTION**

In *Berkheimer v. HP, Inc.*,<sup>1</sup> the United States Court of Appeals for the Federal Circuit considered whether U.S. Patent No. 7,447,713 (“the ’713 patent”) was ineligible under 35 U.S.C. § 101.<sup>2</sup> Although Section 101 of the Patent Act provides patent eligibility for anyone who “invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof,” the Supreme Court interprets this to exclude laws of nature, natural phenomena, and abstract ideas.<sup>3</sup>

Additionally, the Supreme Court set forth a two-part test for determining patent eligibility under 35 U.S.C. § 101 in *Alice Corp v. CLS Bank*.<sup>4</sup> First, the court determines whether the claims at issue are directed to a patent-ineligible concept, such as an abstract idea.<sup>5</sup> If so, the court determines whether the claim’s elements, considered both individually and as an ordered combination, transform the nature of the claims into patent-eligible subject matter.<sup>6</sup> More specifically, the court must search for an “inventive concept” by identifying “an element or combination of elements” that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”<sup>7</sup>

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<sup>1</sup> *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

<sup>2</sup> *Id.* at 1366.

<sup>3</sup> 35 U.S.C. § 101.

<sup>4</sup> *Alice Corp. Pty. v. CLS Bank Int’l*, 573 U.S. 208 (2014).

<sup>5</sup> *Id.* at 217.

<sup>6</sup> *Id.* at 221.

<sup>7</sup> *Id.* at 222.

In this appeal from the Northern District of Illinois, the Federal Circuit affirmed-in-part and vacated-in-part the district court's grant of summary judgment that certain claims of the '713 patent are ineligible under 35 U.S.C. § 101.<sup>8</sup> Specifically, the court affirmed ineligibility of claims 1–3 and 9 of the '713 patent because they were directed to an abstract idea and did not capture inventive concepts.<sup>9</sup> However, the Federal Circuit found that dependent claims 4–7 were not proven ineligible because a factual dispute existed as to whether these claims covered only conventional activities.<sup>10</sup> Ultimately, the Federal Circuit opined that whether claims 4–7 cover only conventional activities requires a factual determination, which can make it impossible to conclude claims are ineligible on summary judgment (i.e., summary judgment is only appropriate where there are no genuine issues of material fact).<sup>11</sup> Accordingly, it was premature to render claims 4–7 patent ineligible.<sup>12</sup>

While the Federal Circuit in *Berkheimer* found that the issue of patent eligibility can include underlying issues of fact,<sup>13</sup> the Supreme Court has repeatedly held that patent eligibility is a question of law.<sup>14</sup> So, the *Berkheimer* decision has prompted

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<sup>8</sup> *Berkheimer*, 881 F.3d at 1360.

<sup>9</sup> *Id.*, at 1362.

<sup>10</sup> *Id.*, at 1369.

<sup>11</sup> *Id.*, at 1370; Gene Quinn, *Berkheimer v. HP: Federal Circuit says patent eligibility a factual determination inappropriate for summary judgment*, IP WATCHDOG (Feb. 16, 2018), <https://www.ipwatchdog.com/2018/02/16/berkheimer-hp-eligibility-factual-determination/id=93823/>.

<sup>12</sup> *Berkheimer*, 881 F.3d at 1370; Mark Lemley et al., *Recent Developments in Patent Law 2018* (June 4, 2018), [https://www.law.berkeley.edu/wp-content/uploads/2018/11/PatentYearInReview\\_20181126.pdf](https://www.law.berkeley.edu/wp-content/uploads/2018/11/PatentYearInReview_20181126.pdf).

<sup>13</sup> *Berkheimer*, 881 F.3d at 1369.

<sup>14</sup> *See, e.g.*, *In re Bilski*, 545 F.3d 943, 951 (Fed. Cir. 2008) (en banc), *aff'd*, 561 U.S. 593 (2010).

confusion as to whether patent eligibility is a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent.<sup>15</sup>

## II. BACKGROUND

Steven E. Berkheimer (“Berkheimer”) is the owner of the ’713 patent, issued on November 4, 2008.<sup>16</sup> The ’713 patent relates to digitally processing and archiving files in a digital asset management system.<sup>17</sup> The system parses files into multiple objects and tags the objects to create relationships between them.<sup>18</sup> The system eliminates redundant storage of common text and graphical elements, which improves operating efficiency and reduces storage costs.<sup>19</sup>

In November 2012, Berkheimer brought an action against HP Inc. (“HP”) in the United States District Court for the Northern District of Illinois, alleging infringement of the ’713 patent.<sup>20</sup> Berkheimer asserted claims 1–7 and 9 of the ’713 patent against HP.<sup>21</sup> Claims 2–7 and 9 are dependent claims deriving from independent claim 1.<sup>22</sup> Claim 1 of the ’713 patent recites as follows:

1. A method of archiving an item in a computer processing system comprising:

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<sup>15</sup> See HP Inc. v. Berkheimer, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/hp-inc-v-berkheimer/> (last visited Apr. 16, 2019).

<sup>16</sup> U.S. Patent No. 7,447,713 (issued Nov. 4, 2008).

<sup>17</sup> *Berkheimer*, 881 F.3d at 1362.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *Berkheimer v. Hewlett-Packard Co.*, 224 F. Supp. 3d 635 (N.D. Ill. 2016).

<sup>21</sup> *Id.* at 637.

<sup>22</sup> *Id.* at 638.

presenting the item to a parser;  
parsing the item into a plurality of multi-part object structures wherein portions of the structures have searchable information tags associated therewith;  
evaluating the object structures in accordance with object structures previously stored in an archive;  
presenting an evaluated object structure for manual reconciliation at least where there is a predetermined variance between the object and at least one predetermined standard and a user defined code.<sup>23</sup>

During a *Markman* hearing,<sup>24</sup> the judge construed several terms which appear in claim 1, including “parser,” “parsing,” and “evaluating.”<sup>25</sup> Based on the hearing, the district court concluded that the term “parser” means “a program that dissects and converts source code into object code”; “parsing” means “using a program that dissects and converts source code into object code to dissect and convert”; and “evaluating” means “analyzing and comparing.”<sup>26</sup>

Dependent claims 2-7 and 9 add various steps and limitations to independent claim 1.<sup>27</sup> Claims 2-7 and 9 of the ’713 patent recite as follows:

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<sup>23</sup> U.S. Patent No. 7,447,713 (issued Nov. 4, 2008).

<sup>24</sup> *Markman v. Westview Instruments, Inc.*, 52 F.3d 976, 984-85 (Fed. Cir. 1995) (*en banc*), *aff’d*, 517 U.S. 370 (1996) (holding that the construction of patent claims, and therefore the scope of the patentee’s rights, is a question of law). A *Markman* hearing is a hearing at which the court receives evidence and argument concerning the construction to be given to terms in a patent claim at issue. Black’s Law Dictionary 1117 (10th Ed. 2014). In a *Markman* hearing, the court interprets the claims before the question of infringement is submitted to the fact-finder. *Id.*

<sup>25</sup> *Berkheimer*, 224 F. Supp. 3d at 638.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

2. The method as in claim 1 wherein the respective structure can be manually edited after being presented for reconciliation.
3. The method as in claim 1 which includes, before the parsing step, converting an input item to a standardized format for input to the parser.
4. The method as in claim 1 which included storing a reconciled object structure in the archive without substantial redundancy.
5. The method as in claim 4 which includes selectively editing an object structure, linked to other structures to thereby effect a one-to-many change in a plurality of archived items.
6. The method as in claim 5 which includes compiling an item to be output from the archive, wherein at least one object-type structure of the item has been edited during the one-to-many change and wherein the compiled item includes a plurality of linked object-type structure converted into a predetermined output file format.
7. The method as in claim 6 which includes compiling a plurality of items wherein the at least one object-type structure has been linked in the archive to members of the plurality.
8. The method as in claim 1 which includes forming object oriented data structures from the parsed items wherein the data structures include at least some of item properties, item property values, element properties and element property values.<sup>28</sup>

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<sup>28</sup> U.S. Patent No. 7,447,713 (issued Nov. 4, 2008).

Following the *Markman* hearing<sup>29</sup> in which the district court construed several claim terms, HP moved for summary judgment on the basis of 35 U.S.C. § 101.<sup>30</sup> In support of its motion for summary judgment, HP contended that the asserted claims of the '713 patent are patent-ineligible and thus invalid under § 101.<sup>31</sup> The district court considered whether the '713 patent was ineligible under 35 U.S.C. § 101 by applying the two-part test set forth by the Supreme Court in *Alice*.<sup>32</sup>

HP argued that the asserted claims of the '713 patent are patent-ineligible under *Alice* because they are directed to the non-inventive abstract idea of “reorganizing data (e.g. a document file) and presenting the data for manual reconciliation.”<sup>33</sup> Berkheimer disagreed with HP's characterization of the claims, contending that HP “does not account for the [claims'] core elements and limitations.”<sup>34</sup> Ultimately, the district court granted HP's motion, finding that the asserted claims were directed at patent-ineligible abstract ideas and did not contain an inventive concept sufficient to render the claims patent eligible.<sup>35</sup> Specifically, the district court concluded that the claims did not contain an inventive concept under *Alice* step two because they describe “steps that employ only well-understood, routine, and conventional computer functions” and are claimed “at a relatively high level of generality.”<sup>36</sup>

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<sup>29</sup> *Markman v. Westview Instruments, Inc.*, 52 F.3d 976, 984-85 (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996) (holding that the construction of patent claims, and therefore the scope of the patentee's rights, is a question of law).

<sup>30</sup> *Berkheimer*, 224 F. Supp. 3d at 638.

<sup>31</sup> *Id.* at 639.

<sup>32</sup> *Id.* at 635.

<sup>33</sup> *Id.* at 643.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* at 647.

<sup>36</sup> *Berkheimer*, 881 F.3d at 1368.

Berkheimer appealed to the United States Court of Appeals for the Federal Circuit.<sup>37</sup> The Federal Circuit affirmed-in part and vacated-in-part the district court's grant of summary judgment that certain claims of the '713 patent are ineligible under 35 U.S.C. § 101.<sup>38</sup> The court affirmed ineligibility of claims 1–3 and 9 of the '713 patent, but determined that claims 4–7 were not proven ineligible because a factual dispute existed as to whether these claims covered only conventional activities.<sup>39</sup> Accordingly, it was premature to render claims 4–7 patent ineligible on summary judgment.<sup>40</sup> In reaching this conclusion, the Federal Circuit opined that the issue of patent eligibility can include underlying issues of fact.<sup>41</sup>

In September 2018, HP filed a petition for a writ of certiorari, asking the United States Supreme Court to overturn the Federal Circuit's decision.<sup>42</sup> The question presented to the Supreme Court is whether patent eligibility is a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent.<sup>43</sup> While this petition is still pending, the Solicitor General was invited to file a brief expressing the views of the United States in January 2019.<sup>44</sup>

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<sup>37</sup> *Id.* at 1362.

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at 1370.

<sup>40</sup> *Id.*; Lemley et al., *supra* note 12, at 14.

<sup>41</sup> *Berkheimer*, 881 F.3d at 1369.

<sup>42</sup> *See* HP Inc. v. Berkheimer, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/hp-inc-v-berkheimer/> (last visited Apr. 16, 2019).

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*



### III. LEGAL ANALYSIS

On appeal, the United States Court of Appeals for the Federal Circuit considered whether the district court correctly determined that the '713 patent was ineligible under 35 U.S.C. § 101.<sup>45</sup> The Federal Circuit applied the two-part test for determining patent eligibility as set forth by the Supreme Court in *Alice*.<sup>46</sup>

At *Alice* step one, the Federal Circuit considered whether the claims at issue were directed at patent-ineligible abstract ideas.<sup>47</sup> While the district court held claim 1 to be directed to the abstract idea of “using a generic computer to collect, organize, compare, and present data for reconciliation prior to archiving,” Berkheimer argued that the district court characterized the invention too broadly and simplistically, ignoring the core features of the claims.<sup>48</sup> The Federal Circuit rejected this argument, holding that “claims 1–3 and 9 are directed to the abstract idea of parsing and comparing data; claim 4 is directed to the abstract idea of parsing, comparing, and storing data; and claims 5–7 are directed to the abstract idea of parsing, comparing, storing, and editing data.”<sup>49</sup>

Berkheimer further argued that the claims are not abstract because the “parsing” limitation roots the claims in technology and transforms the data structure.<sup>50</sup> However, the court found that this was merely a limitation to a particular technological environment,

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<sup>45</sup> *Berkheimer*, 881 F.3d at 1360.

<sup>46</sup> *Id.* at 1366.

<sup>47</sup> *Id.*; see *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016) (“[T]he first step in the *Alice* inquiry... asks whether the focus of the claims [was] on the specific asserted improvement in computer capabilities ... or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.”).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Berkheimer*, 881 F.3d at 1367.

and the claims were still directed to an abstract idea.<sup>51</sup> Because the asserted claims were directed to an abstract idea, the Federal Circuit proceeded to the second step of the *Alice* inquiry.<sup>52</sup>

At step two, the court considered whether the elements of each claim, considered both individually and as an ordered combination, transformed the nature of the claims into patent-eligible subject matter.<sup>53</sup> Step two of the *Alice* inquiry is satisfied when the claim limitations involve more than “well-understood, routine, [and] conventional activities previously known to the industry.”<sup>54</sup> That said, the Federal Circuit made clear that the “question of whether a claim element or combination of elements is well-understood, routine and conventional” to a person skilled in the art is a question of fact.<sup>55</sup>

On appeal, Berkheimer argued that portions of the specification referring to reducing redundancy and enabling one-to-many editing contradict the district court's finding that the claims describe well-understood, routine, and conventional activities.<sup>56</sup> Specifically, Berkheimer argued that the patent's “specification describes an inventive feature that stores parsed data in a purportedly unconventional manner,” which eliminates redundancies and improves system efficiency.<sup>57</sup> These purported “improvements in the specification, to the extent they are captured in the claims, create a factual dispute regarding whether the invention describes well-understood, routine, and conventional activities.”<sup>58</sup>

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<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Alice*, 573 U.S. at 222.

<sup>55</sup> *Berkheimer*, 881 F.3d at 1368.

<sup>56</sup> *Id.* at 1369.

<sup>57</sup> *Id.*; Lemley et al., *supra* note 12, at 14.

<sup>58</sup> *Berkheimer*, 881 F.3d at 1369-70; Lemley et al., *supra* note 12, at 14.

To that, Berkheimer argued that summary judgment was improper because whether the claimed invention is well-understood, routine, and conventional is an underlying question of fact, and the Federal Circuit agreed.<sup>59</sup> The court found that although patent eligibility is ultimately a question of law, factual questions can exist about whether claims are directed to an abstract idea or transformative inventive concept.<sup>60</sup>

The Federal Circuit determined that claims 4–7, but not claims 1–3 and 9, were directed to these purported improvements in the specification.<sup>61</sup> Specifically, claims 4–7 were found to contain limitations directed to the alleged unconventional inventive concept described in the specification.<sup>62</sup> The Federal Circuit opined that whether the claims cover only conventional activities requires a factual determination, which can make it impossible to conclude claims are ineligible on summary judgment (i.e., summary judgment is only appropriate where there are no genuine issues of material fact).<sup>63</sup> Accordingly, it was premature to render claims 4–7 patent ineligible on summary judgment.<sup>64</sup> However, because claims 1–3 and 9 do not capture the purported inventive concepts, the Federal Circuit affirmed the district court’s finding that claims 1–3 and 9 are ineligible.<sup>65</sup>

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<sup>59</sup> *Berkheimer*, 881 F.3d at 1368.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 1370.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*; Gene Quinn, *Berkheimer v. HP: Federal Circuit says patent eligibility a factual determination inappropriate for summary judgment*, IP WATCHDOG (Feb. 16, 2018),

<https://www.ipwatchdog.com/2018/02/16/berkheimer-hp-eligibility-factual-determination/id=93823/>.

<sup>64</sup> *Berkheimer*, 881 F.3d at 1369-70 (“While patent eligibility is ultimately a question of law, the district court erred in concluding there are no underlying factual questions to the § 101 inquiry.”); Lemley et al., *supra* note 12, at 14.

<sup>65</sup> *Berkheimer*, 881 F.3d at 1370.

#### IV. FUTURE IMPLICATIONS

While it is too soon to understand the full impact of the *Berkheimer* decision, it is expected to allow more patent applications to be deemed patent-eligible under § 101.<sup>66</sup> However, early data indicate that is already happening, as the Patent Trial and Appeal Board (“PTAB”) is overturning significantly more § 101 rejections than before *Berkheimer*.<sup>67</sup>

Additionally, this decision is expected to make it more difficult to invalidate patents under § 101, particularly at the early stages of a proceeding, because the court in *Berkheimer* held that the issue of patent eligibility can include underlying issues of fact.<sup>68</sup> Although the question of patent eligibility under § 101 is typically a legal one, there are factual determinations underpinning that decision that generally cannot be made at the pleadings or summary judgment stage.<sup>69</sup> More specifically, the *Berkheimer* decision will

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<sup>66</sup> See, e.g., Julian Asquith & Tobias Eriksson, *Worldwide: The Berkheimer Memorandum— Good News For Software Patents In The U.S.*, MONDAQ (July 16, 2018),

<http://www.mondaq.com/uk/x/719506/Patent/The+Berkheimer+Memorandum> (“[W]e are cautiously optimistic that the Berkheimer memorandum heralds a significant change to the interpretation of subject-matter eligibility in the US.”).

<sup>67</sup> Kilpatrick Townsend & Stockton LLP, *Berkheimer Increases Applicants’ Ability to Overcome Subject Matter Eligibly Rejections*, JDSUPRA (Nov. 5, 2018), <https://www.jdsupra.com/legalnews/berkheimer-increases-applicants-ability-66295/> (“From March 1, 2018 until July 10, 2018, 57 appeal decisions by the PTAB cited to *Berkheimer* for the proposition that the determination of whether a claim element is well-understood, routine, and conventional is a question of fact. Of these 57 decisions, 19 overturned the examiner’s § 101 rejections, resulting in a reversal rate of 33.3%. . . [a]n increase in reversal rate. . . when *Berkheimer* is cited is a significant applicant-friendly shift with regard to § 101 subject matter eligibility rejections.”).

<sup>68</sup> *Berkheimer*, 881 F.3d at 1369.

<sup>69</sup> *Berkheimer*, 881 F.3d at 1370.

not only make summary judgment more difficult for infringers, but it will also make it almost impossible for district courts to dismiss patent infringement complaints under Rule 12(b)(6) of the Federal Rules of Civil Procedure<sup>70</sup> if there are questions of fact underneath the patent eligibility determination.<sup>71</sup> This is because under Rule 12(b)(6) all facts asserted in the complaint by the plaintiff (i.e., the patent owner) are taken as true, and dismissal is only appropriate where there can be no victory by the plaintiff even based on the facts plead in the complaint.<sup>72</sup> So, *Berkheimer* will likely push patent invalidity decisions under § 101 later in the litigation, which is beneficial for patent owners.<sup>73</sup>

However, the aforementioned implications of *Berkheimer* assume the decision remains good law.<sup>74</sup> In September 2018, HP filed a petition for a writ of certiorari, asking the United States Supreme Court to overturn the Federal Circuit's decision.<sup>75</sup> The question presented to the Supreme Court is whether patent eligibility is a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent.<sup>76</sup> While this petition is still pending, the Solicitor General was invited to file a brief expressing the views of

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<sup>70</sup> Fed. R. Civ. P. 12(b)(6).

<sup>71</sup> Gene Quinn, *Berkheimer v. HP: Federal Circuit says patent eligibility a factual determination inappropriate for summary judgment*, IP WATCHDOG (Feb. 16, 2018), <https://www.ipwatchdog.com/2018/02/16/berkheimer-hp-eligibility-factual-determination/id=93823/>.

<sup>72</sup> *Id.*

<sup>73</sup> See Scott Graham, *Federal Circuit Won't Budge From Decision Reining in 'Alice,'* NAT'L L.J. (May 31, 2018) (explaining that *Berkheimer* will "shift leverage back to the patent owner side").

<sup>74</sup> See HP Inc. v. Berkheimer, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/hp-inc-v-berkheimer/> (last visited Apr. 16, 2019).

<sup>75</sup> *Id.*

<sup>76</sup> *Id.*

the United States in January 2019.<sup>77</sup> That said, it is likely that the Supreme Court will take on this case to clarify whether patent eligibility is a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent.

## V. CONCLUSION

The *Berkheimer* decision has prompted confusion as to whether patent eligibility is a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent.<sup>78</sup> While the Supreme Court has repeatedly held that patent eligibility is a question of law,<sup>79</sup> the Federal Circuit in *Berkheimer* found that the issue of patent eligibility can include underlying issues of fact.<sup>80</sup> That said, *Berkheimer* is great news for patent owners,<sup>81</sup> but now we must wait and see if it remains good law.

*Chelsea Murray\**

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<sup>77</sup> *Id.*

<sup>78</sup> See HP Inc. v. Berkheimer, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/hp-inc-v-berkheimer/> (last visited Apr. 16, 2019). Several amicus briefs have already been filed in the case.

<sup>79</sup> See, e.g., In re Bilski, 545 F.3d 943, 951 (Fed. Cir. 2008) (en banc), *aff'd*, 561 U.S. 593 (2010).

<sup>80</sup> *Berkheimer*, 881 F.3d at 1369.

<sup>81</sup> See Graham, *supra* note 73.

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