No. _____

In the
Supreme Court of the United States

POWER ANALYTICS CORPORATION,
Petitioner,

v.

OPERATION TECHNOLOGY INC.,
SCHNEIDER ELECTRIC USA, INC.,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), this Court prescribed standards and a mode of analysis for determining patent eligibility under 35 U.S.C. § 101. *Alice* left to the Federal Circuit the responsibility to implement those standards and guide the application of that analysis nationwide. In the five years since *Alice,* an avalanche of litigation challenging the patent eligibility of inventions across a wide swath of technologies has affected multiple industries. The relatively few precedential Federal Circuit decisions on patent eligibility have not provided uniformity. This lack of uniformity has been exacerbated by the Federal Circuit's routine issuance of Rule 36 affirmances in § 101 cases even where, as in this case, numerous issues are raised on which prior decisions of the Federal Circuit have not provided consistent guidance. Given the current environment in which issues of patent eligibility that are of vital significance to district judges, innovators and litigants are decided, the question presented is:

Has the Federal Circuit correctly implemented the standards for patent eligibility set forth in 35 U.S.C. § 101 and *Alice v. CLS Bank*?

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

All parties to the proceedings are listed in the caption. OSIsoft, LLC was a defendant in the district court proceedings but is not a party to this appeal.

Petitioner Power Analytics Corporation's parent corporation is Causam Enterprises.

RULE 14.1(b)(iii) STATEMENT

The proceedings in federal trial and appellate courts identified below are directly related to the above-captioned case in this Court.

Power Analytics Corp. v. Operation Technology Inc. d/b/a ETAP, Schneider Electric USA, Inc., and OSISoft, LLC, Case No. 8:16-cv-1955-JAK-FFM (C.D. Cal.). The central district of California entered judgement regarding Petitioner's patent claims in this matter on December 21, 2017.

Power Analytics Corp. v. Operation Technology Inc. d/b/a ETAP and Schneider Electric USA, Inc., Case No. 2018-1428 (Fed. Cir.). The Federal Circuit entered judgment in this matter on January 15, 2019. The Federal Circuit denied Petitioner's combined petition for panel rehearing and rehearing en banc on March 21, 2019.

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Power Analytics Corporation respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The Rule 36 disposition of the court of appeals (App., *infra,* 1-2) is reported at 748 Fed. Appx. 334. The opinion of the district court granting summary judgment on patent invalidity (App., *infra*, 27-43) is reported at 2017 U.S. Dist. LEXIS 216875. The opinion of the district court denying reconsideration (App., *infra,* 6-26) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on January 15, 2019. App., *infra,* 1-2. A timely petition for rehearing was denied on March 21, 2019. App., *infra,* 44-45. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. § 101. Inventions Patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

INTRODUCTION AND STATEMENT OF THE CASE

The law regarding patent eligibility under § 101 suffers from a lack of certainty and uniformity in the wake of this Court's opinion in *Alice Corp. v. CLS Bank International*, 573 U.S. 208, 217 (2014). This uncertainty has led to a dramatic increase in litigation involving § 101 and widespread confusion at the USPTO and among judges—at the district court and appellate levels—and litigants. The Federal Circuit's routine issuance of Rule 36 affirmances in § 101 cases has also added to the uncertainty because the summarily upheld district court opinions, such as the opinion in this case, are inconsistent with earlier Federal Circuit opinions.

The uncertainty in the law and frequent Rule 36 affirmances are posing practical difficulties for individuals and organizations across the patent ecosystem. Judges have defined the state of the law as a "morass" and characterized the controlling analysis as an exercise in "I know it when I see it." Other judges have remarked that the law regarding patent eligibility "has descended into chaos." Unfortunately, these characterizations are accurate and many of the Federal Circuit's post-*Alice* opinions—and frequent summary affirmance under Rule 36—have only magnified the problems. This Court should take the issue up to provide the U.S. Patent System with the certainty that it needs regarding the threshold question: What is patentable?

The patents at issue in this case are directed to systems and methods used in the operation of complex

power systems like power systems that are used in data centers. More specifically, the asserted claims are directed to a scalable hardware architecture and specific processes that operate to generate new data in the form of previously unavailable system-wide real-time and real-time equivalent information that may be used to perform in-depth analyses of power systems. Prior to the inventions recited by the asserted patents, this real-time information was not available to power system operators. By using the patented inventions, power system operators are able to monitor hundreds and even thousands of power system components—in real-time—through the selective placement of sensors on a designated set of power system components.

The patented inventions have significant real-world applications and make power systems safer and more efficient. Using the patented technology, power system operators can see arc flash risk develop and react before catastrophic events occur. Operators can more accurately predict system failures and determine when to replace equipment *before* failures occur. Operators can also accurately predict how system modifications would affect power systems using real-time operating data from the monitored systems themselves.

Petitioner Power Analytics Corporation sued Respondents Operation Technology Inc. d/b/a ETAP and Schneider Electric USA, Inc. for infringement of 138 claims of four U.S. Patents, Nos. 7,693,608, 7,729,808, 7,286,990, and 7,840,395 in the United States District Court for the District of Delaware. On Respondents' motion the case was transferred to the United States District Court for the Central District of

California which granted partial summary judgment of invalidity of all asserted claims under 35 U.S.C. § 101.

The district court performed its § 101 analysis of Petitioner's 138 asserted claims, spanning four patents, on the basis of a single "representative" claim it isolated *sua sponte* in contravention of the Federal Circuit's current guidance regarding representative claims. *See Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018). In reaching its *sua sponte* holding regarding representative claims, the district court ignored the express language of the claims and the specifications. Even Respondents did not assert that a single claim was representative before the district court.

The district court stated that Petitioner's arguments that the invention contained new technical elements intended to improve the operation of power systems, "conflated" patent eligibility under 35 U.S.C. § 101 with anticipation under § 102 and obviousness under § 103. Petitioner's arguments regarding this point were also supported by an expert declaration, but the district court dismissed it as part of its improper conflation holding. The district court found the use of thresholds, calibration, and synchronization in the context of the control of power systems were "abstract, generic steps that describe desired functions or outcomes, but do not, individually or in combination, constitute 'inventive concepts.'" Subsequently, without having either construed the claims or pursued any meaningful step-two inquiry, the court decided, on the basis of analogy with claims found invalid in *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016) that all of

the asserted claims were invalid under 35 U.S.C. § 101. App., *infra,* 38-43. Petitioner filed a motion for reconsideration of the order on invalidity, which was denied.

On appeal, Petitioner argued the following four points of law on which the district court's finding of ineligibility conflicts with prior decisions of the Federal Circuit:

1. The district court failed to apply the governing "clear and convincing" standard in evaluating evidence submitted regarding patent eligibility to prove a patent is invalid. *See Berkheimer* at 1368 ("The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact. Any fact, such as this one, that is pertinent to the invalidity conclusion must be proven by clear and convincing evidence."). The district court stated that, not only is eligibility "ultimately a question of law," but plaintiff had also "not identified what specific questions of material fact were presented by the motion for summary judgment." Respondents had not identified any facts relevant to the step-two analysis in their motion so there was no basis for Petitioner to identify any such facts. Petitioner did advance arguments based on the patents' specifications that the asserted claims recited inventive concepts. Petitioner also submitted an expert declaration regarding this issue to the district court. The district court improperly excluded the declaration from its analysis on the basis that it addressed issues relevant to §§ 102 and 103 analyses in contravention of the Federal Circuit's *Berkheimer* opinion. The Federal Circuit

summarily affirmed the district court's infirm opinion in this respect which is inconsistent with controlling *Alice* step two jurisprudence.

2. Although the patent specifications described in detail the algorithms and equations applied in the claims, which should have established their patent eligibility under step one, the district court stated that "the claims are stated broadly and concern abstract concepts, and that the disclosure in the specification outlining a specific technological manner in which the abstract concept may be implemented should not be read into the claims." But this holding is inconsistent with this Court's opinion in *U.S. v. Adams*, 383 U.S. 39, 48-49 (1966) and its progeny. *See e.g., Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 908 (2014) ("in assessing definiteness, claims are to be read in light of the patent's specification and prosecution history.").

3. The district court did not follow the established analysis for determining whether a claim is representative and there were in fact, important differences among the 138 asserted claims that were argued by Petitioner. *Berkheimer* at 1365 ("Courts may treat a claim as representative in certain situations, such as if the patentee does not present any meaningful argument for the distinctive significance of any claim limitations not found in the representative claim or if the parties agree to treat a claim as representative."). The Federal Circuit's summary affirmance of the district court's opinion—which *sua sponte* identified a sole representative claim—is inconsistent with this controlling authority from *Berkheimer*. The district court's analysis on this issue,

and the Federal Circuit's summary affirmance thereof resulted in error at steps one and two of *Alice*.

4. The district court misconstrued the governing § 101 patentability analysis as set forth in, *inter alia*, *Diamond v. Diehr*, 450 U.S. 175 (1981); *Bilski v. Kappos*, 561 U.S. 593, (2010); and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.,* 566 U.S. 66 (2012). The Federal Circuit's summary affirmance of the district court's assertion that held that Petitioner's arguments regarding the claimed inventive concepts somehow "conflated" patent eligibility under 35 U.S.C. § 101 with anticipation under § 102 and obviousness under § 103 is inconsistent with this Court's jurisprudence in *Mayo*. See *Mayo*, at 90 ("the §101 patent-eligibility inquiry and, say, the §102 novelty inquiry might sometimes overlap.").

REASONS FOR GRANTING THE PETITION

This petition should be granted because the federal courts and, more generally, the entire patent community need guidance in the application of 35 U.S.C. § 101. This Court has held under § 101 that "laws of nature, natural phenomena, and abstract ideas are not patentable." *Mayo*, at 70. The Court recognized, in *Alice*, that *all* inventions implicate laws of nature, natural phenomena, or abstract ideas, and expanded upon this conception by stating that what is patent-eligible is really the "applications of such concepts to a new and useful end." *Alice*, at 217 (internal quotation marks omitted). Although *Alice* referred to a specific "framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible

applications of those concepts" set forth in *Mayo*, *Alice*, at 217, in practice the application of such a test has proven to be very difficult.

One key aspect of the patent eligibility analysis is the role of the specification. While some panels of the Federal Circuit have held that the specification must be considered to analyze the claims in a § 101 analysis (*see Amdocs (Isr.) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1306 (Fed. Cir. 2016)), other cases have held the exact opposite. *See e.g., Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1322 (Fed. Cir. 2016). The Federal Circuit has exacerbated this problem by relying heavily on Fed. Cir. Rule 36 to issue summary dispositions without opinion in this wholly unsettled area of the law, injecting additional uncertainty into what is an unworkable environment for patentees, litigants, and district judges alike.

Indeed, this is a pressing issue because *Alice* challenges have become commonplace in district courts. According to Docket Navigator's Special Report, *Alice Through the Looking Glass*, *the Impact of Alice Corp. Pty. v. CLS Bank International, 134 S. Ct. 2347 (2014) on the patent enforcement landscape* ("*Alice* Report")[1] the volume of § 101 challenges exploded after *Alice*.

According to the *Alice* Report: "In the four and a half years prior to the Federal Circuit's initial Alice decision [*CLS Bank Int'l v. Alice Corp. Pty.*, 685 F.3d 1341 (Fed. Cir. 2012)] district courts addressed subject matter eligibility in only 69 decisions." *Alice* Report at

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[1] Available at http://brochure.docketnavigator.com/alice/ (accessed on June 13, 2019)

2. From the Federal Circuit's opinion in *Alice* through the end of 2018, the number of § 101 challenges increased by many orders of magnitude:

> subject matter eligibility has been raised in 480 cases against 1,497 patents and has generated more than 1,200 district court decisions. At the same time, the PTO has issued no fewer than 17 different guidelines for determining subject matter eligibility since Alice.

Alice Report at 2 (emphasis added). The USPTO, concerned by the inconsistency in the Federal Circuit's opinions regarding patent eligibility also issues memos that address recent Federal Circuit patent eligibility opinions.[2]

In turn, the Federal Circuit has been inundated with appeals that raise § 101. In the first three years after this Court's decision in *Alice* (until June 19, 2017), the Federal Circuit decided 104 cases on the issue, finding patent ineligibility in 96 cases. In 54 of those cases, the Court issued Rule 36 affirmances, all of which upheld findings of ineligibility.[3]

According to data compiled by the USPTO, between June 20, 2017 and February 2019, the Federal Circuit decided at least an additional 44 § 101 cases.[4] The

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[2] https://www.uspto.gov/patent/laws-and-regulations/examination-policy/subject-matter-eligibility (accessed on June 13, 2019)

[3] Paul R. Gugliuzza and Mark A. Lemley, *Can a Court Change the Law by Saying Nothing?*, 71 Vanderbilt L. Rev. 766, 767 (2018).

[4] *See id.* at n.2.

USPTO data does not track Rule 36 affirmances of § 101 opinions "because they provide little benefit to examiners." *Id.*

The issuance of judgments without written opinions in this unsettled area of the law creates numerous practical problems and prejudices litigants because a losing party, such as Petitioner, might have lost an appeal on the basis of any subset of the arguments presented. Without a written opinion, the party cannot know whether it may continue to press any of the issues encompassed within the dispute or alter its patent drafting strategy on future innovations at the USPTO to account for issues identified by the court.

A. The Federal Circuit's Post-*Alice* jurisprudence has created an inconsistent and unworkable thicket of case law

Judges, scholars, legal commentators, and practitioners alike have all lamented the current status of the law regarding patent eligibility. Former Chief Judge of the Federal Circuit Paul Michel testified before the House Judiciary Committee that "[p]atent-eligibility law under § 101 has descended into chaos after a string of Supreme Court decisions." Supplemental Statement of Judge Paul R. Michel (Ret.) to the United States House of Representatives Committee on the Judiciary, September 12, 2017.[5] He added that this "chaos" is "devastating American

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[5] Available at: https://innovationalliance.net/wp-content/uploads/2017/09/Supplemental-Statement-of-Paul-R-Michel-Sept-12-2017.pdf (accessed on June 17, 2019).

business, including high tech, manufacturing, biotech, and pharmaceutical industries." *Id.*

Sitting judges on the Federal Circuit have also commented on the unsettled nature of the law. In a partial concurrence and dissent, Judge Plager characterized the "abstract idea" element of the patent eligibility analysis as a "definitional morass." *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1350 (Fed. Cir. 2018) (Plager, J. concurring in part and dissenting in part). Judge Plager aptly observed that "[t]he law… renders it near impossible to know with any certainty whether the invention is or is not patent-eligible." *Id.* at 1348.

Judge Plager described the problem facing district judges:

> from the viewpoint of decisional law, the 'abstract ideas' idea falls short in the sense of providing a trial judge with confidence that the judgment will be understood by the judges who come after, since only the judges who have the final say in the matter can say with finality that they know it when they see it.

Id. at 1351. Judge Plager also noted the practical effects of the uncertainty surrounding patent eligibility jurisprudence:

> [t]here is little consensus among trial judges (or appellate judges for that matter) regarding whether a particular case will prove to have a patent with claims directed to an abstract idea, and if so whether there is an 'inventive concept' in the patent to save it. In such an environment,

> from the viewpoint of counsel for the defense, there is little to be lost in trying the § 101 defense.

Id. at 1354-55 (emphasis added).

In his partial concurrence and dissent in *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J. concurring in part and dissenting in part), Judge Linn correctly noted that "the abstract idea exception" is "almost impossible to apply consistently and coherently."

More recently, in *Aatrix Software, Inc. v. Green Shades Software*, Inc., 890 F.3d 1354, 1360 (Fed. Cir. 2018) (Lourie, J. and Newman, J. concurring in the denial of the petition for rehearing *en banc*), Judge Lourie remarked that the law governing patent eligibility "needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are § 101 problems."

The judges reiterated the Court's plea for help calling for "higher intervention, hopefully with ideas reflective of the best thinking that can be brought to bear on the subject." *Berkheimer v. HP Inc.*, 890 F.3d 1369, 1376 (Fed. Cir. 2018) (Lourie, J. and Newman, J., concurring in the denial of the petition for rehearing *en banc*).

District court judges have also commented on the current state of the law since the *Alice* opinion. *See Improved Search LLC v. AOL Inc.*, 170 F. Supp. 3d 683 (D. Del. 2016) ("In other words, even though most of the patent claims now being challenged under § 101

would have survived such challenges if mounted at the time of issuance, these claims are now in jeopardy under the heightened specificity required by the Federal Circuit post-*Alice*"); *Front Row Techs., LLC v. NBA Media Ventures, LLC*, 204 F. Supp. 3d 1190 (D.N.M. 2016) ("Alice has had an extraordinary impact on patent litigation… The Federal Circuit has attempted to provide guidance on the Alice test in this developing and unstable environment…").

Federal judges are not alone in their criticism of the current state of the law regarding § 101. The legal community has uniformly criticized the unpredictable § 101 jurisprudence[6] and Congress is acutely aware of the problem.

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[6] *See, e.g., Amending Patent Eligibility*, 50 U.C. Davis L. Rev. 2149, 2151 ("patent law - and in particular the law governing patent eligibility - is in a state of crisis."); *Resolving Patent Eligibility and Indefiniteness in Proper Context: Applying Alice and Aristocrat*, 20 Va. J.L. & Tech. 240, 249 ("In fact, the current doctrinal mess has prompted calls from mainstream figures in the patent community to consider abandonment of § 101 altogether. Given the situation in district courts today, one can see why."); *Still No Path Out of the 101 Swamp*?, https://www.bilskiblog.com/2018/12/still-no-path-101-swamp/ (Dec. 10, 2018); *ABA, AIPLA and IPO Offer Revisions to Clean Up the §101 Mess*, https://www.ratnerprestia.com/2017/08/02/aba-aipla-and-ipo-offer-revisions-to-clean-up-the-§101-mess/ (accessed June 17, 2019); *Federal Circuit Judge Calls for a Fix to the "Abstract Idea" Mess: Part 3*, https://www.ipmvs.com/filewrapper/federal-circuit-judge-calls-for-a-fix-to-the-abstract-idea-mess-part-3 (accessed June 17, 2019); *Can Legislation Solve the Patent-Eligibility Mess*, https://www.b2ipreport.com/swip-report/can-legislation-resolve-the-patent-eligibility-mess/ (accessed June 17, 2019).

On May 22, 2019, a proposed bipartisan bicameral bill to amend 35 U.S.C. § 101 was published. *See Sens. Tillis and Coons and Reps. Collins, Johnson, and Stivers Release Draft Bill Text to Reform Section 101 of the Patent Act.*[7] In a provision that directly relates to Petitioner's case, proposed § 101(b) of the bill recites: "Eligibility under this section shall be determined only while considering the claimed invention as a whole, without discounting or disregarding any claim limitation."[8]

The Senate Judiciary Committee's Subcommittee on Intellectual Property conducted three hearings in June 2019 on the need for amending § 101 with the most recent hearing occurring on June 11, 2019.[9]

This Court's attention has been directed to § 101 problems by numerous *cert* petitions filed since Alice, most recently in *Berkheimer*, and *Hikma Pharmaceuticals USA Inc.* The Court recently invited the Solicitor General to file briefs expressing the views of the United States in both of these cases. *See HP Inc. v. Berkheimer*, 139 S. Ct. 860 (2019); *Hikma*

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[7] Available at: https://www.tillis.senate.gov/2019/5/sens-tillis-and-coons-and-reps-collins-johnson-and-stivers-release-draft-bill-text-to-reform-section-101-of-the-patent-act) (accessed on June 14, 2019.

[8] *See* § 101(b) (available at: https://www.tillis.senate.gov/services/files/E8ED2188-DC15-4876-8F51-A03CF4A63E26).

[9] *See The State of Patent Eligibility in America: Part III Subcommittee Hearing* (available at: https://www.judiciary.senate.gov/meetings/the-state-of-patent-eligibility-in-america-part-iii) (accessed on June 14, 2019).

Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals Inc., 139 S. Ct. 1368 (2019). Both petitions are still pending.

a. The role of claim interpretation and the specification in the patent eligibility analysis is not clear

The interpretation of claims is fundamental to the U.S. patent system. Without properly understood claims, no substantive analysis may occur. This principle should apply equally to the patent eligibility analysis, but Federal Circuit opinions on this issue are inconsistent. Some Federal Circuit panels held that for the purposes of a § 101 analysis, claims must be analyzed in light of the specification. Other panels have held the exact opposite, that the claims must be reviewed in isolation to determine their patentability.

The panel in *Amdocs* performed its "examination of the claim in light of the written description." *Amdocs*, 841 F.3d at 1306. It was the panel's review of the specification that "revealed that many of these components and functionalities are in fact neither generic nor conventional individually or in ordered combination." *Id. See also Data Engine Technologies LLC v. Google LLC*, 906 F.3d 999, 1008 (Fed Cir. 2018) ("When considered as a whole, and in light of the specification, representative claim 12 of the '259 patent is not directed to an abstract idea"); *Thales Visionx, Inc. v. U.S.*, 850 F.3d 1343, 1347-48 (Fed. Cir. 2017) (noting the importance of the specification in recitation of the asserted claims); *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (analyzing claims "in light of the specification").

This Court has stated that "it is fundamental that claims are to be construed in the light of the specifications, and both are to be read with a view to ascertaining the invention." *Adams*, 383 U.S. at 48-49 (internal citations omitted). It is incontrovertible that patents must be understood—construed—in order to assess their eligibility under § 101.

But other Federal Circuit panels have deviated from this framework and instead have analyzed the eligibility question based solely on the language of the claims. *See e.g., Intellectual Ventures I LLC*, 838 F.3d at 1307 ("The district court erred in relying on technological details set forth in the patent's specification and not set forth in the claims to find an inventive concept").

The inconsistent jurisprudence regarding this issue prejudices litigants. Consider, for example, the contradictory approaches the Federal Circuit took in two cases currently pending before this Court on petitions for writs of certiorari. In *Berkheimer,* the Federal Circuit examined the specification and determined that it described an inventive feature that operated in a "purportedly unconventional" manner. *See Berkheimer* at 1369. In sharp contrast, the Federal Circuit affirmed a judgment in this case where the district court expressly declined to consult the specification for guidance as to whether the invention described routine and conventional activities. *See* App., *infra*, 39-43.

b. The role of factual analysis in determining patent eligibility is not clear

The Federal Circuit's summary affirmance in this case in light of its recent *Berkheimer* opinion demonstrates another way in which the Federal Circuit's lack of guidance has created significant practical problems in this area of the law. Under step two of the *Alice* analysis, Petitioner argued that the asserted claims were patent-eligible because they solved specific technological problems in the power systems industry satisfying the inventive concept test. Petitioner cited the asserted patents' specifications and the declaration of an expert witness—submitted with Petitioner's motion for reconsideration—as evidence that the combination of claim elements satisfied *Alice* step two.

Instead of analyzing the facts identified by Power Analytics, the district court summarily rejected Power Analytics arguments as conflating patent eligibility under 35 U.S.C. § 101 with anticipation under § 102 and obviousness under § 103. The district court then proceeded to summarily invalidate all 138 asserted claims based on a superficial comparison of a single "representative" claim to the claims at issue in *Electric Power Group,* without considering the underlying facts unique to this case.

The Federal Circuit addressed the role of factual analysis in the § 101 context in *Berkheimer*, less than two months after the district court decided Petitioner's case. In *Berkheimer* the Federal Circuit stated that:

> The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact. Any fact, such as this one, that is pertinent to the invalidity conclusion must be proven by clear and convincing evidence.

Berkheimer at 1368. *Berkheimer* issued during the pendency of Petitioner's appeal, shining a spotlight on this issue so important to Petitioner's case. The parties addressed *Berkheimer* in their briefing on appeal. Nonetheless, the Federal Circuit summarily affirmed the district court's opinion without any indication of the weight it gave to this determinative issue.

As in *Berkheimer*, Petitioner argued to the district court that the claims contain an inventive concept under *Alice* step two, because the claimed combination improves the operation of a technological system, teaching "a technological solution to a technological problem specific to" power systems. *See McRO Inc. v. Bandai Namco Games Am. Inc.,* 837 F.3d 1299, 1316 (Fed. Cir. 2016) ("[w]hen looked at as a whole, claim 1 is directed to a patentable, technological improvement over the existing, manual 3-D animation techniques. The claim uses… a process specifically designed to achieve an improved technological result in conventional industry practice") (internal citations omitted). Although the district court here made the same mistake that triggered reversal in *Berkheimer*—ignoring factual issues—the Federal Circuit simply affirmed without explanation.

To underscore how the Federal Circuit's § 101 decisions prejudice parties, consider how the same district judge changed his view shortly after granting summary judgment in this case. Following the Federal Circuit's decision in *Berkheimer*, the district court, in a case very similar to the one here, acknowledged that "[i]t is not appropriate to make a determination regarding patent eligibility until after Plaintiff has had the opportunity" to file a pleading "that includes express, factual allegations consistent with the patent intrinsic record that support its position [that the patent incorporates an inventive concept] under both steps of Alice." *Kajeet, Inc. v. Qustodio, LLC, SA* CV18-01519 JAK (PLAx) (C.D. Cal, Feb. 28, 2019). Although at least one subsequent litigant was permitted to apply *Berkheimer* in the same district court, Petitioner (whose case was decided on summary judgment several months before *Berkheimer* was issued by the Federal Circuit) did not. Nor did Petitioner get the benefit of having *Berkheimer* applied to this case on appeal, despite expressly arguing for that disposition in the Federal Circuit. In these circumstances – and considering the pendency of legislative action that would affect the eligibility of the relevant patent claims—this Court should at least hold the petition in this case until after the Court's conclusion of the proceedings in *Berkheimer*.

c. There is inconsistency among Federal Circuit opinions addressing similar technology

In addition to the inconsistent framework that the Federal Circuit has applied to patent eligibility issues, its ultimate determinations are also irreconcilable. The Court's conflicting holdings in *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014) and *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) provide a stark example. Although the inventions at issue in both cases addressed "internet-centric problems," the inventions at issue in *DDR Holdings* were deemed patent-eligible while the *Ultramercial* inventions were invalidated. In attempting to explain the inconsistent results of patent claims that were extraordinarily similar, the court drew razor-sharp distinctions that, as a practical matter, are impossible to discern or apply. The Federal Circuit stated in *DDR Holdings* that "[u]nlike the claims in Ultramercial, the claims at issue here specify how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id.* at 1258. But when the actual language of the claims at issue in *DDR Holdings* and *Ultramercial* are examined side-by-side there is no rational, predictable distinction between subject matter that is patent-eligible and subject matter that is ineligible. *Compare DDR Holdings* claim 19 at 1249-1250 to *Ultramercial* claim 1 at 712.

A similar conflict exists between the Federal Circuit's recent decision in *SRI Int'l, Inc. v. Cisco Sys.*, 918 F.3d 1368 (Fed. Cir. 2019) and the primary authority on which the district court relied in granting summary judgment of ineligibility in this case, *Electric Power Group*. In *Electric Power Group*, the Federal Circuit held that analyzing information is an abstract idea. 830 F.3d at 1354.

But in *SRI* the Federal Circuit ruled at step one that the information analysis-based *SRI* claims are directed to patent-eligible subject matter although the claim is very similar to the claim at issue in *Electric Power Group*:

> detecting, by the network monitors, suspicious network activity based on analysis of network traffic data selected from one or more of the following categories: {network packet data transfer commands, network packet data transfer errors, network packet data volume, network connection requests, network connection denials, error codes included in a network packet, network connection acknowledgements, and network packets indicative of well-known network-service protocols}….

SRI, at 1373.

The conflicting rulings in *SRI* (eligible) and *Electric Power Group* (ineligible) and the case at bar (ineligible) underscore yet another fundamental patent law issue on which the Federal Circuit's decisions have produced neither clarity nor uniformity.

B. The Federal Circuit's excessive use of Rule 36 judgments exacerbates the unsettled and unpredictable nature of the patent eligibility law

Given the extent to which § 101 eligibility decisions have generated confusion, uncertainty and inconsistency, the lack of uniformity has been magnified by the Federal Circuit's reliance on Rule 36 for summary disposition. Although Rule 36 may be appropriate in certain cases where the governing law is clearly established, the Federal Circuit's extensive use of summary affirmances without opinion in the § 101 context has been catastrophic.

Congress established the Federal Circuit "to remove non-uniformity in the patent law." *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281, 1285-86 (Fed. Cir. 2007). But there can be no uniformity if the 94 district courts with over 700 judges[10] are free to decide on their own how to analyze patent eligibility under *Alice* due to the lack of consistent guidance from the Federal Circuit.

The PTO, caught in the indeterminacy of eligibility law, has attempted to assist its examiners by issuing and updating multiple guidance bulletins in 2014 (after *Alice),* 2015, 2016, and 2019, as well as case-specific guidance on selected cases, an "Eligibility Guidance Quick Reference Sheet" (2014, updated 2015) and 27 examples from legal proceedings that can be

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[10] Federal Judicial Center, Biographical Directory of Article III Federal Judges (available at: https://www.fjc.gov/history/judges/search/advanced-search) (access on June 17, 2019).

used for guidance in specific situations.[11] The USPTO now maintains a specific website that it regularly updates to keep examiners, practitioners, and inventors informed regarding the constant changes in the law of patent eligibility.[12]

The lack of consistency and coherence in eligibility law, notorious both on and off the bench, leaves judges (even appeals court judges), the USPTO, patentees, and litigants, without any definitive guidance regarding patentability post-*Alice*. The Federal Circuit's routine use of Rule 36 affirmances in patent-eligibility cases, like this one, exacerbates these problems.

a. Appellate decision-making, and thus uniform resolution of the law, degenerates when judgments are issued without written opinion in cases raising unsettled legal questions

The combination of conflicting written opinions, and conflicting results in apparently similar cases decided without written opinion, has made the § 101 decision-making process rudderless. Instead of reasoned, comprehensible opinions that resolve and instruct, the standard for deciding vital questions of patent eligibility has become "I know it when I see it." *Interval Licensing* at 1351 (Plager, J. concurring-in-part and dissenting-in-part). This is no exaggeration. Indeed, in

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[11] https://www.bitlaw.com/patent/section-101-index.html#pto (access on June 17, 2019).

[12] https://www.uspto.gov/patent/laws-and-regulations/examination-policy/subject-matter-eligibility (Accessed on June 17, 2019).

a case where the district court lamented that "[a]t the end of the day, it seems that step one remains an exercise of 'I know it when I see it,'" the Federal Circuit affirmed per Rule 36 judgment. *Dig. Media Techs., Inc. v. Hulu, LLC*, No. 4:16cv245-MW/CAS, 2017 U.S. Dist. LEXIS 179660, at *10 (N.D. Fla. July 3, 2017), *aff'd* R. 36, (Fed. Cir. Nov. 13, 2018) 742 Fed. Appx. 510.

Similarly, in this case, the district court issued an I-know-it-when-I-see-it judgment relying heavily on a Federal Circuit decision (*Electric Power Group*) that is entirely inconsistent with a more recent Federal Circuit decision (*SRI*). The dangers to correct decision-making are manifest. For example, glossing over the fact that it had ignored 137 of the asserted claims in its use of a single representative claim, the district court stated that "the asserted claim*s focus on* gathering information…. [t]his *type of* information gathering, and analysis has been addressed by the Federal Circuit. It has held that it falls into a class of claims directed to a patent-ineligible concept." (App., *infra*, 36) (emphasis added). Notwithstanding the *SRI* decision that directly contradicts the *Electric Power Group* holding and the district court's analysis in the case at bar, the Federal Circuit summarily affirmed.

In addition to ignoring 137 asserted claims, even the district court's assessment of the single claim it analyzed was flawed: the district court 1) never consulted the specification to understand the meaning of the claim language, and 2) did not even address all of the claim elements. In all those respects, the decision

conflicts with precedent, yet the Federal Circuit summarily affirmed.

The lack of consistent precedential opinions exacerbated by the widespread use of Rule 36, is conferring on district courts extraordinary latitude to implement *Alice*. They have done so in ways that lead to inconsistency from case to case. The Federal Circuit's failure to issue guiding precedent on these threshold issues has created an unworkable environment for district judges and litigants alike and defeats the defining purpose for which the Federal Circuit was established—to promote uniformity in the patent laws.

b. Rule 36 judgments provide no guidance to direct possible further proceedings or new innovation

The current state of affairs poses other practical difficulties that a decision by this Court could resolve. Patentees often return to the USPTO for modifications to perfect their patent claims in light of judicial rulings. When patentees like Power Analysis do not receive definitive guidance from any courts, they cannot know how to properly modify their claims, or submit new applications, to overcome any claim deficiencies. This is an especially critical problem in the power systems industry where *Electric Power Group* broadly held that inventions directed towards the analysis of data are not patent-eligible. This holding is irreconcilable with the result in *SRI* in which another panel of the Federal Circuit held that claims directed primarily to analyzing data in an enterprise network to detect suspicious activity are patent-eligible at step one of *Alice*. Given

these holdings and the lack of controlling guidance from the Federal Circuit on fundamental aspects of the patent-eligibility analysis, it is impossible to determine where the patent eligibility line falls in this industry. Patent examiners, innovators, judges and litigants need guidance and the Federal Circuit has not provided it. This Court should.

CONCLUSION

The petition for a writ of certiorari should be granted. Alternatively, the Court should consider holding this petition pending its resolution of *Berkheimer,* No. 18-415.

Respectfully submitted,

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