

No. 18-124

IN THE
Supreme Court of the United States

TWO-WAY MEDIA LTD,
Petitioner,

v.

COMCAST CABLE COMMUNICATIONS, LLC;
COMCAST INTERACTIVE MEDIA LLC;
VERIZON SERVICES CORP.; VERIZON ONLINE LLC,
Respondents.

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

Respondents' brief in opposition confirms *both* that the Federal Circuit's approach to construing Section 101 of the Patent Act, 35 U.S.C. § 101, is inconsistent *and* that this case cleanly tees up two fundamental (and often outcome-determinative) questions on which the Federal Circuit is internally divided. Although respondents attempt to portray intra-circuit harmony in the Federal Circuit's Section 101 cases, numerous members of that court have proclaimed that the court's Section 101 doctrine is impossible to apply in a coherent and consistent manner—and numerous judges have pleaded for intervention from a higher authority. Indeed, this case presents a perfect opportunity for this higher authority to step in and restore order.

I. The First Question Presented Warrants Review.

As explained in the petition (Pet. 25-26), review of the first question presented is necessary to resolve an entrenched—and often outcome-determinative—divide among Federal Circuit panels about whether Section 101 requires that a patent's claims, read in isolation, recite in full the specific means of achieving the innovation. Respondents are simply incorrect (BIO 16-19) that any disagreement among (and within) Federal Circuit panels reflects nothing more than case-specific disagreements about claim construction.

Judge after judge from the Federal Circuit has bemoaned that court's inconsistent approach to resolving Section 101 challenges. This Court should grant review of the first question presented to resolve disagreement among those judges about an interpretive

question that is fundamental to *every* Section 101 challenge.

A. Respondents attempt to wave away the first question presented by casting the dispute in this case as one of claim construction. But that argument is flatly refuted by the opinion below.

As respondents themselves point out, the panel considered the claims as construed by the district court, which adopted TWM’s proposed construction with respondents’ acquiescence. Pet. App. 26a. In other words, there was *no disagreement* among the parties or the courts below about how the asserted claims should be construed. Instead, the outcome of the case turned on whether those construed claims, read in isolation, fully described the “specific means or method” of achieving the innovation in the invention. *Id.* at 10a-15a. The district court and court of appeals both recognized that each patent’s specification describes a “technological innovation” in the recited system architecture. *Id.* at 13a, 32a. As construed, the asserted claims incorporated that inventive concept by describing the function and components of the scalable architecture: “directing a portion of the routing path taken by the stream of packets from one of a designated group of intermediate computers to the user in response to one or more signals from the user selecting the stream.” *Id.* at 11a (quoting C.A. J.A. 600). The court of appeals recognized that the claims incorporated the components of the innovative architecture (*e.g.*, the intermediate computers), *see id.* at 12a—but in the next breath, rejected the claims as ineligible because the claims were drafted using what the court viewed as “generic functional language” rather than setting out in full a specific means or method of using

those components to achieve the patents' innovation, *id.* at 13a-14a.

Respondents conspicuously decline to address the language of the court of appeals' opinion itself. The court explained in no uncertain terms that it invalidated the patent claims on the ground that the claims are "missing an inventive concept" for purposes of the Section 101 analysis even though the innovation was described in detail in the written description—because, in the panel's view, the claims themselves were insufficiently specific about the precise means or method of achieving the innovation. Pet. App. 13a. Rather than explaining how those statements reflect respondents' view of the court's decision, respondents simply ignore them.

Respondents contend (BIO 14) that the court of appeals "considered the written description at some length"—but the court's consideration of the written description was confined to the introductory section of its opinion, Pet. App. 1a-3a, and entirely excluded from its "[d]iscussion" and resolution of the legal issues, *id.* at 9a-18a. More to the point, the court's consideration of the written description *confirms* that its later legal analysis considered the claims in isolation without reference to the written description. In invalidating the claims, the court concluded that the construed claims' reference to "intermediate computers" was generic and did not capture the innovative architecture set out in the written description. *Id.* at 11a-12a, 14a. But the court could reach that conclusion *only* by both ignoring the written description (which identifies the use of the intermediate computers as part of the innovative scalable architecture) and by employing a specificity standard that has no place in

the Section 101 analysis, *see* pp. 4-8, *infra*. The court itself explained that the patents’ written description sets out an innovative “scalable architecture” that uses “primary server[s]” and “media server[s]” situated between the sender of information and the receiver—*i.e.*, intermediate computers—to improve delivery of real-time information over the Internet. Pet. App. 3a & fig. 1. But the court refused to consider that innovative architecture when examining the claims because the architecture, though referenced in the construed claims, was not fully and specifically set forth in the claims themselves. *Id.* at 13a-15a. Respondents’ characterization of the decision below therefore must be rejected.

B. Respondents are fundamentally wrong (BIO 16-19) that all other Federal Circuit panels have approached Section 101 in the same manner as the panel below. The court of appeals in this case held that Section 101 requires that asserted claims themselves set out “a specific means or method” of achieving a purported innovation. Pet. App. 10a. Other panels of the Federal Circuit—including in other decisions from which two of the judges who authored the decision below *dissented*—have expressly (and correctly) rejected importing such a “specific means or method” inquiry into the Section 101 analysis. The conflict is stark indeed.

As explained in the petition (Pet. 18-19), panel members Reyna and Hughes premised the outcome of this case on a legal rule that each had previously advanced in a *dissenting* opinion—and that had been rejected by the majorities in those earlier cases. *See Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1263 (Fed. Cir. 2017) (Hughes, J., dissenting); *Amdocs*

(Isr.) Ltd. v. Openet Telecom, Inc., 841 F.3d 1288, 1312, 1317 (Fed. Cir. 2016) (Reyna, J., dissenting), *cert. denied*, 138 S. Ct. 469 (2017). In *Amdocs*, Judge Reyna viewed the asserted claims as ineligible under Section 101 because the claims failed to recite the specific means of achieving the innovative result. 841 F.3d at 1312-1314 (Reyna, J., dissenting). The majority rejected Judge Reyna’s requirement that the “claim at issue itself explicitly states the necessary ‘means,’” explaining that that “is not now the law, either in statute or in court decision” and noting that concerns about whether a patent sufficiently explains the “means” of achieving an innovation are dealt with in 35 U.S.C. § 112, not Section 101. 841 F.3d at 1295. In *Visual Memory*, Judge Hughes similarly would have held that Section 101 requires a “specific means or method” that he found lacking in the claims at issue, 867 F.3d at 1263 (Hughes, J., dissenting)—and the majority in that case rejected his view, *id.* at 1260-1261 (majority opinion).

Respondents attempt to brush off the intra-circuit conflict by focusing on the details of each case and ignoring the announced legal rules. But to determine whether there is in fact a conflict, this Court need not take petitioner’s or respondents’ word for it—the Court need only read the words of Federal Circuit judges. To wit, Judge Plager recently explained that “[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.” *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1354-1355 (Fed. Cir. 2018) (Plager, J., concurring-in-part and

dissenting-in-part). Judge Plager bemoaned uncertainty in Section 101 doctrine about whether, in the “search for [a] significantly more ‘inventive concept’” in the second step of the analysis discussed in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), a court is “limited to the limitations of a particular claim” or whether “the written description and the scope of other claims in the patent come into play.” 896 F.3d at 1352; *see also* Pet. 20 (identifying other cases employing conflicting approaches to this question).

C. Respondents’ defense of the merits of the decision below also should be rejected. Respondents devote nearly four pages of their brief (BIO 11-15) to arguing that this Court has focused on patent claims, rather than the written description, when determining eligibility under Section 101. Of course, every court must focus on asserted claims when deciding questions of validity, eligibility, and infringement. But the question presented here asks in part whether a court must focus *only* on construed claims when determining whether they are directed to an abstract idea. As explained in the petition (Pet. 21-25), neither this Court’s decisions nor the text of the Patent Act supports the type of narrow focus employed by the court of appeals.

Tellingly, respondents do not even attempt to respond to TWM’s statutory argument. As explained in the petition (Pet. 21-25), Congress directed in the Patent Act that eligibility under Section 101 should focus on whether the invention is directed to eligible subject matter or is instead directed to an abstract idea. 35 U.S.C. § 101. Section 112, in turn, makes clear that the required “specification” describing the invention

includes both the written description and the concluding claims. *Id.* § 112. To be sure, the Patent Act requires that the written description conclude with claims “particularly pointing out and distinctly claiming the subject matter which the inventor . . . regards as the invention,” *id.* § 112(b)—and a single patent can include claims that are valid and claims that are ultimately determined to be invalid. But where a patent describes an invention that is eligible under Section 101, its claims should not fall *under Section 101* for failure to specify in sufficient detail the means of achieving or implementing the invention. Such questions of enablement or definiteness, like questions of infringement, properly focus on construed claims and are separate inquiries from the eligibility inquiry under Section 101. When the court of appeals held in this case that the asserted claims are directed to abstract ideas because they lack a sufficiently detailed description of the “specific means or method” of achieving the innovation, Pet. App. 10a, the court improperly conflated the Section 112 inquiry with the Section 101 inquiry (and failed to undertake the legal and factual analysis Section 112 requires).

Indeed, this case is a perfect example of how some Federal Circuit panels premise Section 101 holdings on Section 112 considerations. The court below held that the construed claims are ineligible under Section 101 because the reference to intermediate computers was insufficiently definite to capture the innovative architecture involving intermediate computers that the written description concededly captured. Pet. App. 13a-15a. Respondents’ silence on the statutory argument therefore is not surprising because respondents benefit in this case from the Federal Circuit’s

improper importation of Section 112 concerns about enablement and definiteness into the Section 101 inquiry. But the patent system as a whole does not benefit—and that is not how Congress wrote the Patent Act.

Although respondents try to paint a rosy picture of the Federal Circuit’s Section 101 case law, the court’s judges have repeatedly complained that the doctrine, as it has developed since *Alice*, is “almost impossible to apply consistently and coherently,” *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J., dissenting in part and concurring in part)—and that it is “near impossible to know with any certainty whether [an] invention is or is not patent eligible,” *Interval*, 896 F.3d at 1348 (Plager, J., concurring-in-part and dissenting-in-part). *See* Pet. 3-4. This Court’s clarification about the proper role of Section 101 as a threshold determination of eligibility rather than a cure-all assessment of validity would go a long way towards setting the Section 101 ship right. *See Bilski v. Kappos*, 561 U.S. 593, 620 & n.2 (2010) (Stevens, J., concurring in the judgment) (responding to contention that a patent “application is phrased broadly” by explaining that “claim specification is covered by § 112, not § 101; and if a series of steps constituted an unpatentable idea merely because it was described without sufficient specificity, the Court could be calling into question some of our own prior decisions”).

II. The Second Question Presented Warrants Review.

Review of the second question presented is also warranted. This Court has made clear that the second *Alice* step requires resolution of fundamental factual

questions, including whether the patent involves something more than “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 79 (2012)) (alteration in original); see *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 96 (2011) (explaining that such determinations are factual). But different Federal Circuit panels employ conflicting approaches to resolving those factual questions. Some panels require that such questions, when disputed, be resolved in the usual way—*viz.*, through the weighing of evidence rather than on a motion to dismiss or for summary judgment. Other panels, like the panel in this case, simply resolve such factual disputes on their own, without even a whisper of evidentiary support.

Federal judges who are not experts in the subject matter of the patents they are reviewing are in no position to make a well-informed hindsight judgment about the state of the relevant art at the time the patent was issued or about whether the invention is in fact innovative or instead is merely routine or conventional. That type of determination is factual and, at least when disputed, must be based on evidence. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015). The lack of uniformity among Federal Circuit panels on this question injects destabilizing uncertainty into a private-property regime. Because the Federal Circuit has turned away pleas to eliminate that uncertainty, this Court’s intervention is necessary.

Respondents contend (BIO 19-28) both that the second question presented is not actually presented here and that all Federal Circuit panels agree about

how to treat subsidiary factual questions in Section 101 cases. Respondents are wrong on both counts—and, remarkably, respondents’ own arguments go a long way towards proving TWM’s point that the second question presented often is outcome-determinative and is the subject of an intra-circuit conflict.

First, respondents get it exactly backward when they argue (BIO 20, 27-28) that the court of appeals did not resolve any question of fact. The crux of the panel’s decision was that the inventive concept recited in the written description was not captured by the claims *because* the claims recited only “*conventional* computer and network components operating according to their *ordinary* functions.” Pet. App. 17a (emphases added); *id.* at 14a (“The claim uses a conventional ordering of steps” “with conventional technology.”). Whether the recited architecture, including the use of intermediate computers, is conventional or ordinary is a question of fact—but the panel did not rely on *any* evidence to support its factual determinations. Worse than that, the court of appeals affirmed the district court’s refusal to allow TWM to introduce evidence about whether, in fact, the ordering of steps recited in the patents was innovative. Defying logic, the court of appeals simultaneously held that the invention is ineligible under Section 101 because it is conventional (*i.e.*, not novel) and that TWM’s proffered evidence was irrelevant because it addressed whether the invention was novel.

Second, as illustrated by the decision below, different Federal Circuit panels employ directly contradictory approaches to resolving subsidiary factual questions in Section 101 cases. Some, like the panel in this case, simply decide on their own whether the

claimed invention is routine, conventional, or well known. *See, e.g.*, Pet. App. 13a-17a; *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 613-615 (Fed. Cir. 2016); *see also Aatrix Software, Inc. v. Green Shades Software, Inc.*, 890 F.3d 1354, 1368 (Fed. Cir. 2018) (Reyna, J., dissenting from the denial of the petition for rehearing en banc) (“A § 101 patent eligibility determination can be resolved without the need to look beyond the four corners of the patent” and underlying factual “determination[s] can be made based solely on the claims and written description.”). In contrast, other panels correctly hold that what is “well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination.” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365-1369 (Fed. Cir. 2018); *see Exergen Corp. v. Kaz USA, Inc.*, 725 Fed. Appx. 959, 967 (Fed. Cir. 2018); *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1126-1128 (Fed. Cir. 2018); *Move, Inc. v. Real Estate All. Ltd.*, 721 Fed. Appx. 950, 954 (Fed. Cir. 2018), *petition for cert. pending*, No. 18-252 (filed Aug. 24, 2018).

The second question presented thus is fundamental to resolving fairly the ever-increasing number of Section 101 challenges to patents previously thought to be well settled. Respondents attempt to paper over the intra-circuit conflict by asserting (BIO 25) that disputed factual questions can and should be resolved with reference to “judicially noticeable facts and common sense.” But that is *exactly* the problem we ask this Court to correct. Federal Circuit panels should *not* be permitted to resolve disputed factual questions based on their own view of common sense and “judicially noticeable” facts about the state of the art at the

relevant time. This Court's immediate intervention is critical.

CONCLUSION

For the forgoing reasons, and for the reasons set forth in the petition for a writ of certiorari, the petition should be granted.

Respectfully submitted,

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