

No. 18-252

IN THE
Supreme Court of the United States

REAL ESTATE ALLIANCE LTD.,

Petitioner,

v.

MOVE, INC., *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR REHEARING

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PETITION FOR REHEARING

Comes now Petitioner, Mark Tornetta (“Tornetta”), inventor and original owner of patents 4,870,576 and 5,032,989 (the “Patents-in-Suit”), as Intervenor of right, pursuant to Fed. R. Civ. P. 24(a)(2), as successor in interest to the Patents-in-Suit, pursuant to certain promissory notes made by Real Estate Alliance Ltd. (“REAL”), and the subsequent default of REAL, causing a collateral assignment of all right, title and interest in and to the Patents-in-Suit to Tornetta. Tornetta respectfully requests that this Court grant rehearing on its November 5, 2018 order, *Real Estate Alliance, Ltd. v. Move Inc. et al.*, No. 18-252, (U.S. Nov.5, 2018), which denied certiorari.

Pursuant to Rule 44.2 of this Court, the grounds for petitioning for rehearing are limited to “intervening circumstances of a substantial or controlling effect or to other substantial grounds not previously presented.” The question raised in the petition for certiorari in essence asks whether facts matter when deciding the patent-eligibility of an invention. Eleven days after certiorari was denied in this case, the Court of Appeals for the Federal Circuit resolved this issue. In *Ancora Technologies, Inc. v. HTC America, Inc., et al.*, No. 2018-1404 (Fed Cir. Nov. 16, 2018), the Federal Circuit issued its precedential ruling which directly answered the specific question raised by REAL. In that November 16, 2018 ruling, the Federal Circuit made it clear that “Eligibility under 35 U.S.C. § 101 is a question of law, based on underlying facts.” See *Ancora*, p.7, citing *SAP America, Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1166 (Fed.Cir. 2018).

When the Federal Circuit affirmed the decision of the lower court in *Move, Inc., et al. v. Real Estate Alliance, Ltd.*, __ Fed. Appx. __; 2018 WL 656377 (Fed Cir. 2018) Federal Circuit Appeal No. 2017-1463, dated February 1, 2018, *reh'g den.*, March 30, 2018 after the district court ruled that as a matter of law the invention disclosed was an abstract concept that did not have an added “inventive concept” and was ineligible for patent protection, that decision was made without benefit of proper factual analysis, which *Ancora* now teaches is a required step. Consequently, the decision to deny certiorari should be reconsidered, and petitioner respectfully requests that certiorari be granted, that the lower court decision be vacated, and that the case be remanded to the lower court for the required factual analysis.

This Court has devised a two-stage frame-work to determine whether a patent claim falls outside the scope of 35 U.S.C. § 101. In *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014), the prescribed approach requires a court to determine (1) whether the claim is directed to a patent-ineligible concept, i.e....an abstract idea, and if so, (2) whether the elements of the claim, considered “both individually and ‘as an ordered combination,’” add enough to “‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo v. Prometheus*, 132 S. Ct. 1289, 1297-98 (2012)). In the context of claims that are challenged as containing only abstract ideas, those two stages are typically referred to as the “abstract idea” step and the “inventive concept” step.

On November 16, 2018, after certiorari was denied in this case, the Federal Circuit issued its precedential ruling

in *Ancora*, declaring that the Ancora patent was not, as the district court had decided, directed to an abstract idea. The claim could be considered as “a non-abstract computer-functionality improvement if done by a specific technique that departs from earlier approaches to solve a specific computer problem” (*Ancora*, p. 10, citing *Finjan, Inc. v. Blue Coat Systems, Inc.*, 879 F.3d 1299,1304– 05.) This decision marks a significant departure from prior patent-eligibility decisions that were decided solely as a question of law, without consideration of the underlying facts. In *Ancora*, the court needed to look at underlying facts concerning the “earlier approaches” to determine that the Ancora patents were making significant improvements. The court in *Ancora* further clarified that an invention that identified a solution to a problem could “transform a claim from one claiming only a result to one claiming a way of achieving it.” (*Ancora*, p.11, citing *SAP America, Inc.*, 898 F.3d at 1167.) Again, the court was able to make this distinction by looking at “underlying facts”.

When evaluating REAL’s patents in *Move v. REAL*, the district court, did not look at “earlier approaches” to the improvements divulged in the patent claims because had they done so, they would have seen that the REAL patent claims presented a significant technical improvement. Without evaluating the underlying facts of the historical context of the state of technology in 1986, the court could not realize that locating points on a map, displayed on the screen of a personal computer from a database of available properties could not be accomplished *at that time* - without the technical solution disclosed in the REAL patents. Proper analysis of the supplementing facts, as was done in *Ancora*, would then have revealed “specific techniques that depart[ed] from earlier approaches”

and would have justified the issuance of a patent, as the USPTO properly did.

The precedential *Ancora* decision built upon the Federal Circuit's decision in *Data Engine Technologies LLC v. Google LLC*, No. 17-1135, Fed Cir. (Oct. 9, 2018), decided after the petition for certiorari was filed by REAL in this case, (August 29, 2018), but before certiorari was denied, (November 5, 2018).

In *Data Engine*, the district court concluded incorrectly that the patents in suit were an “abstract idea” and therefore patent ineligible under the first part of the *Alice* test. However, the appellate court properly applied the first part of the *Alice* test by reviewing the facts related to the historical context of the invention. “[T]wenty-five years ago electronic spreadsheets were not easy to use” and the invention under review “provided a solution to this problem.” (*Id.*, p. 3.) When this underlying fact is added to the equation, the first part of the *Alice* test is then satisfied, and what the district court initially dismissed as an “abstract idea” was now correctly seen as a “method [for] providing a specific solution to then-existing technological problems in computers”. (*Data Engine*, p. 13).

In *Move v. REAL*, the district court first concluded incorrectly that the patents in suit were an “abstract idea” and therefore patent ineligible under the first part of the *Alice* test. The district court failed to review the proper historical context of the invention. The proper perspective, as used in *Data Engine*, of basing the legal decision on an analysis of the underlying historical facts would confirm that over thirty years ago, at the time the

REAL inventions were disclosed, there were no computer generated maps available. There was no world co-ordinate system upon which to plot location data. There was no data communications network. The technical means of accomplishing these revolutionary ideas were disclosed by REAL and the invention provided a unique functioning solution to the specific problem of locating available real estate. REAL's invention was therefore patent-eligible.

Unfortunately, when *Move, Inc., et al. v. Real Estate Alliance, Ltd.*, __ Fed. Appx. __; 2018 WL 656377 (Fed Cir. 2018) Federal Circuit Appeal No. 2017-1463, dated February 1, 2018, *reh'g den.*, March 30, 2018, was decided, the Federal Circuit had not yet settled the issue that patent-eligibility under §101 was a question of law, based on underlying facts. Instead, the court made its determination in *Move v. REAL* as a question of law, and likened its analysis to its decision in *Affinity Labs of Tex. LLC v. DIRECTV, LLC*, 838 F.3d 1253 (Fed Cir. 2016).

In *Affinity Labs* the patent was applied for in 2009, and was finally resolved in 2016. During those times, cell phone usage was ubiquitous. Streaming video applications were commonplace. In the context of the existing and well known technology, *Affinity Labs* first failed to overcome the “abstract idea” test and then there was no “inventive concept” to convert the abstract idea into a concrete implementation. The *Affinity Labs* court also noted from *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607, 610 (Fed. Cir. 2016), that claims not directed to an improvement in computer functionality, but instead to “the use of conventional or generic technology in a nascent but well-known environment were not directed to a solution to a ‘technological problem.’” *Id.* at 613. Even

though the court failed to evaluate the factual background in *Affinity Labs*, there would have been no change in the result because the technology was already well known at the time of the decision.

In *Move v. REAL*, the failure of the district court to review the historical context was error, certainly in light of the *Ancora* precedential decision. At the time the REAL invention was disclosed, there was no universal communications and data-exchange system (this invention predates the internet). The invention disclosed its own two-way protocol to transmit the dataset of “points,” representing available properties, from a central location where the database was maintained, to a group of remote users who had need for the information on a recurring but variable basis. There was no universal co-ordinate system yet invented to locate these “points”, so the invention disclosed a world coordinate system to plot the points. These maps could then zoom in to smaller and smaller areas, displaying greater and greater detail.

The U.S. Patent Office had found the novel idea patentable (twice – as there is a supplementary patent as well). The U.S. Patent Office’s research about what technology, if any, was in existence at the time determined this brilliant technology to be revolutionary and unique. There was an un rebutted expert report from a renowned Computer Scientist - an expert in this field from well before the emergence of the internet and the smartphone. This renowned expert reviewed the record and documented the novelty and significance of the technology that was disclosed in the patent application.

By following the standard as applied in *Affinity Labs*, and looking at patent eligibility merely as a question of law, the Federal Circuit ignored the underlying historical context, and “[s]etting aside ... REAL’s expert declaration, the focus of [REAL’s patent claims] is not on any technological advancement.” *Move v. REAL*, p11. But this decision missed important underlying information.

Applying the older “question of law only” standard of patent-eligibility to *Move v. REAL*, the Federal Circuit overlooked the missing analysis of the important underlying facts that would transform the determination of REAL’s invention from a patent-ineligible “abstract idea” to a more proper and patentable “inventive concept”, as was done in *Data Engine* and *Ancora*. The Federal Circuit has now firmly decided, in its precedential ruling on November 16, 2018, that the new standard of review is “a question of law, based on underlying facts”. Furthermore, an invention that identified a solution to a problem could “transform a claim from one claiming only a result to one claiming a way of achieving it.” (*Ancora*, p.11). Had the Federal Circuit followed its new rule, as just announced in *Ancora* on November 16, 2018, and then looked at the underlying facts, the ‘989 patent would be shown to be more than an abstract concept, as the patent disclosed a working system for the revolutionary new method of locating real property for sale. It is therefore appropriate to grant certiorari, vacate the lower court decision, and remand for a proper factual determination.

This case represents an example of the law of unintended consequences. The implementation of the decision of this Court, if certiorari remains denied, establishes that a single district court judge, unilaterally

and singlehandedly, could overrule the findings of the United States Patent and Trademark Office (“USPTO”) making this determination without considering the “facts” of the case, and could then arbitrarily grant a motion for summary judgment, declaring lawfully issued patents invalid. The decision could be based solely on that judge’s determination that the technology disclosed was, “an abstract idea” and therefore not eligible for patent protection - without looking at the historical state-of-the-art which might justify an “inventive concept” interpretation. The district court made its determination without benefit of a hearing, without formally gathering any facts, and without any contradictory evidence to support the ruling. Now, under *Ancora*, if there is a determination that an invention might be “an abstract concept” it is necessary to examine the underlying facts in their proper historical context, which may allow an “abstract idea” to become patent-eligible as an “inventive concept”.

By not recognizing the controlling aspect of the intervening and precedential ruling in the *Ancora* case, the probable and unexpected impact of the denial of certiorari in this case, allowing the bypass of a proper factual determination in a patent-eligibility review, has national implications for the future of the United States patent system, and has serious repercussions on the future development of technology and whether an inventor can ever feel safe disclosing his ideas in order to obtain a patent. Our system of patents and trademarks represents a bargain between inventors and society whereby in exchange for the disclosure of novel concept(s) an inventor is given the exclusive right to exploit his invention(s). Society benefits from this relationship because new ideas

are revealed to the society at large. The inventor benefits because he is given a period of exclusivity during which he can economically benefit. In its simplest form, the concept of patent exclusivity and exploitation dates back to the time of the ancient Greeks.

Since colonial times, under the wisdom and guidance of founding fathers like Benjamin Franklin and Thomas Jefferson, the United States government has operated a specific agency, in which technical expertise resides, to oversee the function of granting patent rights. The charter of that agency is to review and evaluate inventions and their specific claims, and if they are found meritorious, protect them by the issuance of a patent. The founding fathers recognized the importance of this function by specifically incorporating protection of intellectual property rights directly into the United States Constitution itself, in Article I, §8, cl.8.

An issued patent is a covenant with the inventor, and should be evidence to all comers that the idea disclosed has been thoroughly investigated by a group of impartial experts - who were representing the public at large. When a patent issues, these experts have concluded that the idea disclosed was novel and entitled to protection under the law. It is the job of these experts at the patent office to be aware of the "state-of-the-art" at the time of disclosure, and to vigorously analyze and challenge new claims. The patents at issue in this case, 4,870,576 and 5,032,989, entitled Real Estate Search and Location System and Method, literally took the patent office years to investigate and then to become satisfied that there was no prior art or discovery or invention that existed at the time this system and method were disclosed. The weight of all of that effort

by the patent office which then issued a patent - twice - was discarded by a single district court judge.

Thirty years ago, this invention disclosed a brilliant technical solution that had the potential to change the face of the real estate industry. Prior to the disclosed method for location and display of available real estate, properties for sale, lease, or rent were listed in printed books, circulated on an irregular basis among real estate agents. There were no mapping programs available, and the content of each booklet was restricted to the area covered by the local association of realtors. Geographical coverage was varied, arbitrary, and inconsistent. Adjacent properties for sale, but in different books, were unknown to agents from the nearby territory. Long before the internet became commercially available, and after an exhausting level of technological analysis, hardware and software experimentation, and then the development of a working model, this invention, in fact, did change the face of the real estate industry.

Now that the Federal Circuit has definitively ruled, in the precedential decision in *Ancora*, that underlying facts inform a proper determination of patent-eligibility under the law, this Court should grant a rehearing for the Petition for Certiorari filed in this case, vacate the order(s) of the lower court(s), and remand this matter for a proper fact-based determination. Anything less undermines the bargain between an inventor and the public, and leaves in place an unfair and inconsistently applied standard.

In view of the pending consideration of a grant of certiorari in *Berkheimer v. HP*, Petitioner respectfully suggests that the instant petition be considered in light

of the substantial issues raised in that case with respect to the role of fact-finding in the Alice analysis.

CONCLUSION

For all of the foregoing reasons, Petitioner earnestly solicits this Court to grant this petition for rehearing of the denial of a writ of certiorari to the Court of Appeals for the Federal Circuit, and then to vacate the decision of the Federal Circuit, and remand for proceedings to establish sufficient facts for a proper analysis of patent-eligibility.

Respectfully submitted,

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November 30, 2018

CERTIFICATE OF GOOD FAITH

The undersigned hereby certifies that this petition for rehearing is restricted to the grounds specified in Rule 44.2 of the Rules of the Supreme Court and is presented in good faith and not for delay.

Mark Toanetta