No. 18-415

IN THE

Supreme Court of the United States

HP INC., F/K/A HEWLETT-PACKARD COMPANY,
Petitioner,

v.

STEVEN E. BERKHEIMER,
Respondent.

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

SUPPLEMENTAL BRIEF OF PETITIONER

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SUPPLEMENTAL BRIEF OF PETITIONER

The Federal Circuit rewrote this Court's substantive standard for patent eligibility to focus on what a "skilled artisan" would have considered routine and conventional "at the time of the patent," and then deemed this a "factual determination." App. 16. The question presented 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." Pet. i.

The government offers no defense of the decision below and concedes that the "substantial uncertainty" the decision caused has had "considerable practical consequences." U.S. 10-11, 13. The government thus agrees that the question presented warrants this Court's review *and* that eligibility is a question of law. U.S. 3-4, 10, 12, 14.

Nevertheless, the government spends the bulk of its brief on whether this case would be a good vehicle for addressing a *different* question that it thinks arises in a *different* case—i.e., whether the Court should "clarif[y]" (U.S. 15) its longstanding two-step framework for patent-eligibility. See *Alice Corp. Pty. Ltd*. v. *CLS Bank Int'l*, 573 U.S. 208, 216 (2014); *Mayo Collab. Servs.* v. *Prometheus Labs., Inc.*, 566 US. 66, 71-73 (2012). But the Court should grant review in this case whether or not it grants review in *Athena Diagnostics, Inc.* v. *Mayo Collaborative Services., LLC*, No. 19-430 (filed Oct. 1, 2019), or any other case.

If the Court denies review in *Athena*, it should grant certiorari in this case, as the government essentially acknowledges. The six amicus briefs supporting the petition attest that every day that goes by without correction of the Federal Circuit's errors only further

cripples innovation, especially for small technology companies.

If the Court grants review in *Athena*, it still should grant certiorari in this case. One likely outcome in *Athena* is reaffirmation of the two-step patent-eligibility framework that the Court has applied "for more than 150 years," *Alice*, 573 U.S. at 216; alternatively, the Court might "clarify" that framework only for diagnostic-method patents or only at step one. In any of these scenarios, the Federal Circuit's rewriting of step two and transformation of that inquiry into a "question of fact," App. 14, would still warrant review.

Even in the unlikely event that the Court ends up changing step two for all patents—a position that no party in *Athena* has pressed—it would be manifestly better to pair this case with *Athena* so that the Court could consider the full spectrum of Section 101 litigation. Life-sciences cases like *Athena* account for only about 10% of such litigation, whereas the vast majority involve computer-implemented inventions, as this one does. And all of them involve the question of whether patent-eligibility is a question of law or fact.

The government's "prematur[ity]" objection (U.S. 10) is thus entirely unfounded, as are its vehicle concerns. For example, the government's suggestion that the substantive standard is presented only "obliquely" (U.S. 10) is belied by the very first sentence of the petition. Pet. 2. As even the government acknowledges, the question presented "necessarily depends on"—and hence fairly includes—"the substantive standard for patent eligibility." U.S. 11.

Certiorari in this case, at this time, is warranted. If the Court also grants certiorari in *Athena*, the cases should be set for briefing and argument in tandem.

I. The Government Correctly Recognizes that Section 101 Warrants Certiorari.

The government agrees that the test for patent eligibility is an important issue that needs review. See, *e.g.*, U.S. 10 ("This Court should grant review to clarify the substantive Section 101 standards[.]"). It acknowledges Section 101 implicates important and recurring questions, and there is "substantial uncertainty in the lower courts concerning the scope of the exceptions and the proper methodology for determining whether a particular patent implicates them." *Id*. at 12-13.

The Federal Circuit admits that it cannot resolve these issues on its own. As described in the petition (at 2-3, 8-9, & 31), Judges Lourie and Newman requested "clarification by higher authority," App. 99, that is "beyond the power of this court." App. 102. Judge Plager agreed, describing Section 101 law as "incoherent." *Interval Licensing LLC* v. *AOL, Inc*., 896 F.3d 1335, 1348 (Fed. Cir. 2018) (Plager, J., concurring in part and dissenting in part).

Since this case issued, the "lack of coherent guidance" has only made things worse, "caus[ing] deep disagreements among district courts on procedural issues in eligibility disputes." Paul R. Gugliuzza, *The Procedure of Patent Eligibility*, 97 Tex. L. Rev. 571, 577 (2019). Judge Mayer recently lamented this case has transformed eligibility inquiries into a "factual quagmire" and is "mak[ing] section 101 a 'dead letter.'" *In re Marco Guldenaar Holding B.V.*, 911 F.3d 1157, 1164-65 (Fed. Cir. 2018) (Mayer, J., concurring in the judgment) (citation omitted). And in *Athena Diagnostics, Inc.* v. *Mayo Collaborative Services, LLC,* 927 F.3d 1333 (Fed. Cir. 2019), a number of Federal Circuit

judges registered their views that this Court should weigh in again on Section 101.

Since the filing of the petition, district courts have also struggled with the impact of the decision below on Section 101. One court submitted patent eligibility to a jury. *PPS Data, LLC* v. *Jack Henry & Assocs., Inc*., No. 2:18-CV-00007-JRG, Dkt. 165 (E.D. Tex. Sept. 12, 2019). Other courts have struggled with how to apply current Section 101 jurisprudence, especially in the software space. *E.g*., *Crypto Research, LLC* v. *Assa Abloy, Inc*., 236 F. Supp. 3d 671, 681 (E.D.N.Y. 2017) (describing the "difficulty" of applying Section 101 "in the context of patent claims related to computer technology"); *Device Enhancement LLC.* v. *Amazon.com, Inc*., 189 F. Supp. 3d 392, 400 (D. Del. 2016) (describing the "requirements of the *Alice* analysis" as "difficult-to-discern" when applied to computer programs).

The government does not deny that the decision below is having crippling effects on innovation—both because the Patent Office is now issuing more patents that should be ineligible under Section 101 and because litigants can now use gamesmanship to avoid early resolution of eligibility challenges (increasing the burden of litigation). See Reply 4-5 (summarizing amici); Amicus Br. of Engine Advocacy 4, 24-25 (noting increased patent abuses caused by current difficulty of patent examiners to reject applications directed to abstract ideas); Gene Quinn, *You Had One Job: The Federal Circuit Can and Should Fix Section 101*, IP Watchdog, https://www.ipwatchdog.com/2019/04/08/one-job-federal-circuit-can-fix-section-101/id=108003/ (Apr. 8, 2019) ("the high-tech and life sciences industries that will define the paradigm shifting innovation of the 21st century" lack "predictable patent protection").

While the government complains of "uncertainty" regarding the standard for patent eligibility, it does not dispute that the decision below has added to that uncertainty by modifying this Court's test and transforming step two into a factual inquiry akin to novelty. Whether or not the Court elects to grant certiorari in *Athena*, it should grant certiorari in this case to clarify that eligibility remains a question of law based on the scope of the claims.

II. This Case Presents an Ideal Vehicle to Address Section 101.

The government's recommendation to deny certiorari rests largely on vehicle concerns, based on a misreading of the question presented, the government's idiosyncratic view that *Alice* and *Mayo* were wrongly decided, opposition to the software context, and the Federal Circuit's remand of the case.

A. The question presented fairly encompasses both substance and procedure.

The government incorrectly asserts that the question presented concerns only procedure. U.S. 10-14. To the contrary, as petitioner's reply brief details, the question presented fairly encompasses both substance and procedure. Reply 2-3.

The first sentence of the petition explains that the core error in the decision below was substantive: "The Federal Circuit has replaced this Court's test for patent eligibility—in which a court must determine as a matter of law whether a patent covers eligible subject matter by examining the elements of the claims—with a fact-intensive test based on the state of the prior art at the time of the patent." Pet. 2; see also 1 Peter S. Menell, Mark A. Lemley, & Robert P.

Merges, *Intellectual Property in the New Technological Age: 2019* at 300 (2019) (noting the decision below is a "stark shift" in precedent).

The petition addresses the Federal Circuit's substantive error directly, not "obliquely," as the government contends. Compare U.S. 10 with Pet. 2 ("replaced this Court's test"); Pet. 9 ("weakens this Court's test for patent eligibility"); Pet. 12 ("asked the wrong question"); Pet. 15 ("significantly modified the test"); Pet. 16 ("different inquiry"); Pet. 21 (criticizing "the Federal Circuit's test").

The procedural consequences of the substantive error magnify its practical consequences and the need for certiorari. The eligibility test adopted below transforms what should be a legal inquiry for the court into a question of historical fact unsuitable for resolution early in a case. See Pet. 26-31. The decision has had dramatic effects on Section 101 litigation, cutting by one-third the number of claims disposed of before trial. See Ryan Davis, *Quick* Alice *Wins Dwindling in Wake of* Berkheimer *Ruling*, IP Law 360, www.law360.com/articles/1181804/print?sectio=appellate (July 25, 2019). The government does not disagree.

The government acknowledges these procedural consequences are "deeply intertwined with the underlying legal standards that govern patent-eligibility." U.S. 13-14. The question presented reflects this intertwining, asking whether an inventive concept 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." Pet. i.

B. Certiorari should not be denied merely because neither party challenges *Bilski*.

The government attributes the current uncertainty in Section 101 law to this Court's decision in *Bilski* v. *Kappos*, 561 U.S. 593 (2010). U.S. 18. It then argues this case is not a good vehicle for certiorari because neither party has challenged *Bilski* or the eligibility framework as a whole. *Ibid.*

But a vehicle issue does not exist simply because neither party has presented the idiosyncratic argument the government seeks to make. As the amici explain, this Court's two-step framework, articulated in *Mayo* and *Alice* but stemming from *Bilski*, has helped—not hindered—innovation. Reply 4-5 (citing amici).

The government incorrectly characterizes *Bilski* as a departure from precedent. The majority in *Bilski* "resolve[d] this case narrowly on the basis of this Court's [previous] decisions." 561 U.S. at 609. And in *Mayo* and *Alice*, this Court likewise was careful to square its rulings with its precedents. See *Alice*, 573 U.S. at 216 (noting the consistent approach for "more than 150 years"); *Mayo*, 566 U.S. at 72 ("Our conclusion rests upon an examination of the particular claims before us in light of the Court's precedents.").

The Court's two-step framework also is not a recent development but instead directly follows from the framework for patent-eligibility that the Court first endorsed in 1853. See *O'Reilly* v. *Morse*, 56 U.S. (15 How.) 62, 115 (1853) (agreeing that "the case must be considered as if the [abstract] principle being well known, the plaintiff had first invented a mode of applying it by a mechanical apparatus to furnaces"

(citation omitted)). The Court has consistently applied that framework ever since.

The government conjectures that the parties may be "limited" in their arguments here. U.S. 17. But that is just as true in *Athena*, where the petition is limited to a narrow sliver of all diagnostic method patents, see *Athena* Pet. i, and the petitioner has committed to defending this Court's traditional framework, *Athena* Reply 2.

There is no reason to reconsider this framework as a whole, and the government's refusal to accept the *Alice*/*Mayo* framework should not stop this Court from deciding questions that arise within that framework. This case remains an appropriate vehicle even if the Court decides to revisit the framework.

C. The software context strengthens this case as a vehicle.

The government also suggests that this Court should revisit Section 101 "[i]n the context of other, more familiar types of innovations—such as the industrial processes or methods of medical treatment" rather than in the software context. U.S. 16 (alternatively suggesting that the Court hold this case pending *Athena*). This suggestion is misguided.

Courts regularly (and increasingly) adjudicate issues involving software. This Court's decision in *Alice* arose in the context of software patents, and the vast majority of post-*Alice* litigation has involved computer software, while life-sciences cases (such as *Athena*) make up less than 10% of all Section 101 litigation. See Chart of Post-*Alice* Cases, Gibson Dunn, https://www.gibsondunn.com/wp-content/uploads/2019/03/Overview-of-Section-101-Patent-Cases-Decided-After-Alice-v-CLS-as-of-03-01-19.pdf (Mar. 1, 2019).

Indeed, patent eligibility has been uniquely important to software patents and other computer-implemented methods. See Joseph Saltiel, *In the courts: five years after Alice,* WIPO Magazine, https://www.wipo.int/wipo_magazine/en/2019/04/article_0006.html (August 2019). Section 101 plays a crucial role in protecting against software patents that stifle innovation because other patent requirements cannot perform their gate-keeping function when applied to software.

For example, the specification of a patent must contain a "written description of the invention" that would "enable any person skilled in the art to which it pertains to make and use [it]." 35 U.S.C. § 112(a).

In most contexts, the "enablement" requirement prevents a person from patenting an idea. But software is often "enabled" by describing what it does: "[N]ormally, writing code for software is within the skill of the art, not requiring undue experimentation, once its functions have been disclosed[.]" *Fonar Corp.* v. *Gen. Elec. Co.*, 107 F.3d 1543, 1549 (Fed. Cir. 1997). Software inventions are thus "essentially excused from compliance with the enablement and best mode requirements[.]" Dan L. Burk & Mark A. Lemley, *Is Patent Law Technology-Specific?*, 17 Berkeley Tech. L.J. 1155, 1156 (2002).

As a result, Mr. Berkheimer—a non-programmer—could receive a patent on an idea for what he wished software would do without ever actually programming a computer to implement his idea or even having any ability to do so.

As *Athena* illustrates, the challenge of diagnostic claims is that there is often real benefit to the public from discoveries of natural laws and real investment required to make these discoveries. Sanjeev Mahanta,

Patent Eligibility of Medical Diagnostic Inventions: Where Are We Now, and Where Are We Headed?, IP Watchdog, https://www.ipwatchdog.com/2019/04/14/patent-eligibility-of-medical-diagnostics-inventions-where-are-we-now-and-where-is-there-to-go/id=108263/ (Apr. 14, 2019).

The same is not true of software, where individuals can invest nothing yet secure broad software patents that stifle innovation and harm society. If this Court were to grant certiorari only in *Athena* (or only in another life sciences case), it would not see the entire Section 101 picture.

Far from avoiding the software context, this Court should ensure that any reconsideration or clarification of Section 101 involves software. Following the government's suggestion to grant review "in the context of other, more familiar types of innovations," U.S. 16, would not only fail to cure the confusion of patent eligibility in the software context but may well increase it.

The pairing of *Alice* and *Mayo* works well. One case arose in the software context and discussed claims related to abstract ideas, and the other arose in the life sciences context and discussed claims related to natural laws. Indeed, the Court had to grant review in *Alice* precisely because the Federal Circuit could not reach a majority decision on how to apply *Mayo* to computer-implemented methods. Pairing this case with *Athena* would permit this Court to address recurring Section 101 issues in both contexts (life sciences and software) in which they most often arise.

D. The claims at issue make this case a good vehicle to consider Section 101 in the software context.

The claims of the '713 Patent are directed to manipulating and storing data, but they do not require any specific means for achieving these goals. The asserted claims exemplify problematic, broad software patents. Under a straightforward application of *Alice*, the claims here are ineligible, as the district court correctly concluded. App. 46. Only by changing the standard was the Federal Circuit able to conclude that some of the claims might be eligible. App. 14, 19-20.

The government contends this Court would benefit from reviewing a case where there was an ultimate decision on eligibility. U.S. 17. But this is irrelevant—the decision below adopted a new test for eligibility, and the correctness of that test is suitable for review by this Court.

Similarly, the parties' "disagreement about what the claimed invention actually comprises," U.S. 15-16, is inherent in Section 101 litigation. The claims have been construed, and the very question presented by the petition is how to resolve the parties' dispute: how to decide whether the claimed invention is patent-eligible (and who makes this decision).

Importantly, the government does not defend the correctness of the Federal Circuit's new test, much less the extraordinary holding below that whether claims cover patent-eligible subject matter can change over time with the state of the art.

* * *

The question is undeniably important, and review is warranted now, regardless of what the Court does in

Athena—including if the Court were to (1) deny review in *Athena*, or (2) grant review in *Athena* and either (a) reaffirm the Court's established two-step framework or (b) modify that framework either only at step one or only for diagnostic method patents. A decision in *Athena* could make the question presented here irrelevant only if the Court were to do away with step two entirely—which no one is advocating—and even then, this Court would benefit from having a software case before it in considering whether to eliminate the established two-step framework.

Accordingly, if the Court is inclined to grant certiorari in *Athena*, it should pair *Athena* with this case so that the Court can properly consider the substantive standard as it applies to the full range of Section 101 litigation.

CONCLUSION

This Court should grant the petition for a writ of certiorari. If the Court also grants review in *Athena*, the two cases should be set for argument on the same calendar. At the very least, this Court should hold this case while it considers *Athena*.

Respectfully submitted,

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