

No. 18-\_\_\_\_\_

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**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**

**PETITION FOR A WRIT OF CERTIORARI**

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**QUESTION PRESENTED**

This Court has adopted a two-step framework for determining whether an invention is eligible for patenting under 35 U.S.C. § 101. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014). Both steps are reserved for the court: First, “we determine whether the claims at issue are directed to [a] patent-ineligible concep[t].” Second, “we \* \* \* determine” whether “additional elements transform the nature of the claim into a patent-eligible application.” *Id.* at 2355 (emphases added).

In this case, the Federal Circuit determined at step one that the claims are directed to an ineligible concept (an abstract idea), but at step two the court below refused to determine whether the additional elements of the claim disclose an inventive concept—declaring that the second step of the *Alice* framework involves a “question of fact” that could not be resolved by a court on a pretrial motion.

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.

**PARTIES TO THE PROCEEDINGS  
AND RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover.

HP Inc. is a publicly traded company. No publicly held corporation owns 10% or more of the stock of HP Inc.

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**PETITION FOR A WRIT OF CERTIORARI**

Petitioner HP Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.



**OPINIONS AND ORDERS BELOW**

The order denying panel rehearing and rehearing en banc (App. 84-119) is reported at 890 F.3d 1369 (Fed. Cir. 2018). The panel order affirming-in-part and reversing-in-part the district court’s judgment (App. 1-21) is reported at 881 F.3d 1360 (Fed. Cir. 2018). The opinion and order of the district court (App. 22-47) is reported at 224 F. Supp. 3d 635 (N.D. Ill. 2016).



**STATEMENT OF JURISDICTION**

The court of appeals entered its order denying en banc rehearing on May 31, 2018. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).



**STATUTORY PROVISION INVOLVED**

Section 101 of Chapter 35 of the United States Code (the “Patent Act”) provides:

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

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. Its decision below conflicts with *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014) and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012); conflates the eligibility inquiry of Section 101 with the obviousness and novelty inquiries under Sections 102 and 103 of the Patent Act; and works a significant and detrimental change in the law of patent eligibility that will prolong meritless litigation and waste judicial and party resources.

In the wake of the decision below, four Federal Circuit judges have called for review by this Court:

- The decision below is “counter to guidance from the Supreme Court,” is of “exceptional importance,” and will have “staggering” consequences if left unreviewed. App. 105, 112 (Reyna, J., dissenting from denial of rehearing en banc);

- The panel decision “complicat[es] what used to be a fairly simple analysis of patent eligibility,” and “the law needs clarification, by higher authority.” App. 99-100 (Lourie and Newman, J.J., concurring in denial of rehearing en banc);
- The law of patent eligibility is “incoherent,” a “real problem,” and a “conundrum” that desperately requires review by this Court. *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1348, 1351-54, 1356 (Fed. Cir. 2018) (Plager, J., concurring in part and dissenting in part).

This Court should grant review, correct the Federal Circuit’s error, and reaffirm that patent eligibility is a question of law based on the scope of the claims.



## STATEMENT

### A. Legal Background

1. In the Patent Act, Congress—exercising its power “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries,” U.S. Const., Art. I, § 8, cl. 8—provided that “[w]hoever 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.” 35 U.S.C. § 101.

Section 101 contains an implicit exception: “Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354.

This Court developed the current law of patent eligibility under Section 101 in two cases. In *Mayo*, this Court discussed patents concerning natural laws: the “relationships between concentrations of certain metabolites in the blood and the likelihood that a dosage of a thiopurine drug will prove ineffective or cause harm.” 566 U.S. at 77. This Court held that the claims “did not add *enough* to [these natural laws] to allow the processes they describe to qualify as patent-eligible processes that *apply* natural laws.” *Ibid*.

In *Alice*, this Court discussed patents concerning abstract ideas and clarified *Mayo*’s two-step test. First, “we [the court] determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Alice*, 134 S. Ct. at 2355. Second, if so, “we [the court] must examine the elements of the claim to determine whether it contains an ‘inventive concept,’” an “element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.” *Id.* at 2355, 2357 (internal quotation marks omitted).

## **B. The Claims at Issue**

This case involves U.S. Patent No. 7,447,713 (the '713 Patent), which is directed to a form of data manipulation and storage: one-to-many editing, in which changes to one document affect other archived documents. The specification uses the example of a new corporate logo automatically replacing the old logo in every document in which it appeared. App. II-11 at col. 2, ll. 4-8.

The patent concerns software implementing this abstract idea on a computer. The claims do not recite unconventional computer hardware, specific programming, or tailored software. Nor does the patent provide any meaningful guidance as to how to write software implementing the claims.

## **C. Proceedings Below**

1. The named inventor sued Petitioner HP Inc., a global technology company, for allegedly infringing his patent. Following claim construction HP Inc. moved for summary judgment that the claims were ineligible for patent protection under Section 101.

At summary judgment, the district court followed this Court's two-step test from *Alice* and held that the asserted claims were ineligible for patent protection. The district court held that under *Alice*'s step one, the asserted claims were directed to abstract ideas of data manipulation and storage. App. 39-40. Under *Alice*'s step two, the district court held that the claims did not

“offe[r] a specific, concrete contribution to the technology of digital archiving.” App. 47.

Although “rife with technical terms,” the claims “recite the claimed methods at a relatively high level of generality.” App. 46. “They neither disclose a specific algorithm instructing how the methods are to be implemented nor require the use of any particular computer hardware, software, or ‘parser.’” *Ibid.* Because the claims did not add any inventive concept to the application of the abstract idea on a generic computer, they were ineligible for patent protection as a matter of law.

2. On appeal at the Federal Circuit, the panel reversed in part. The Federal Circuit agreed with the district court that all of the asserted claims were directed to abstract ideas under *Alice*’s first step. App. 11.

The panel then turned to *Alice*’s second step. It first announced that a claim is eligible for patent protection under Section 101 if “the claim limitations ‘involve more than performance of “well understood, routine, and conventional activities previously known to the industry.”’” App. 14 (quoting *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014)).

Next, the panel stated that this inquiry is a question of fact: “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.” App. 14. And, like questions



of fact related to patent invalidity, it must be “proven by clear and convincing evidence.” *Ibid.*

The panel emphasized the heavy burden in showing that a claim element was “well-understood, routine and conventional,” which “goes beyond what was simply known in the prior art.” App. 16. “The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.” App. 16-17.

Applying this test, the panel noted that the specification “describes an inventive feature that stores parsed data in a purportedly unconventional manner.” App. 18.

Looking to the specific claims at issue, the panel held that these purported improvements in computer functionality were only “captured” in some of the claims. *Ibid.* Claims 1, 2-3, and 9 “d[o] not recite any of the purportedly unconventional activities disclosed in the specification.” *Ibid.*

In contrast, claims 4-7, the panel held, “contain limitations directed to the arguably unconventional inventive concept described in the specification.” App. 19. The panel held that based on the specification, there was “a genuine issue of material fact making summary judgment inappropriate with respect to these claims.” App. 20.

The panel thus affirmed in part and reversed in part.<sup>1</sup>

3. HP petitioned for rehearing en banc, noting that the decision below conflicted with *Alice* and *Mayo*, explaining that this was the first case holding that there are issues of fact underlying the Section 101 inquiry, and urging review for the reasons set forth in this petition. See generally App. 106.

The Federal Circuit denied rehearing en banc.<sup>2</sup> Judge Moore, the author of the panel opinion, concurred in the denial. Her opinion further refines the panel’s test for patent eligibility, describing the inquiry as “whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time.” App. 97. This test, the concurrence explained, “is a factual question” for which “the normal procedural standards for fact questions must apply.” App. 91.

Judge Lourie, joined by Judge Newman, concurred in the denial of rehearing en banc but noted the need for clarification of the law by a “higher authority.”

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<sup>1</sup> The panel also affirmed the district court’s holding that other asserted claims—claims 10-19—were invalid as indefinite.

<sup>2</sup> The Federal Circuit issued the orders denying rehearing en banc in both this case and in *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018), a case presenting similar issues decided shortly after the panel decision in this case and also authored by Judge Moore.

App. 99. “Section 101 issues certainly require attention beyond the power of [the Federal Circuit].” *Ibid.*

Judge Reyna dissented from the denial of rehearing en banc, explaining that the petition presented questions of “exceptional importance.” App. 105. He observed that the decision below “alter[s] the § 101 analysis in a significant and fundamental manner.” *Ibid.*

Judge Reyna also noted the uncertainty created by the new approach: “[T]he court offers no meaningful guidance to the bar, the government, or the public on how to proceed on these new grounds.” App. 106; see also App. 106-07 (listing unanswered questions raised by the panel’s new test).

In short, Judge Reyna explained, the panel’s decision “is a change in [the Federal Circuit’s] law” and “is counter to guidance from the Supreme Court.” App. 112.

HP Inc. now respectfully petitions this Court for certiorari.



### **REASONS FOR GRANTING THE PETITION**

The decision below significantly weakens this Court’s test for patent eligibility under Section 101, converting this Court’s legal test based on the scope of the claims into a fact-based inquiry into the knowledge of a skilled artisan at the time of the patent. The decision thus conflicts with *Alice*, in which this Court

clearly held that patent eligibility is a question of law for the courts, not a factual question for a jury: “*we determine* whether the claims at issue are directed to [a] patent-ineligible concept[.]” and “*we \* \* \* determine* whether the additional elements transform the nature of the claim into a patent-eligible application.” *Alice*, 134 U.S. at 2355 (emphases added).

The practical consequences for patent litigation are significant. Patent eligibility will no longer be a threshold question of law suitable for resolution in a motion to dismiss or motion for summary judgment. Instead, juries will be forced to decide patent eligibility after resolving disputed issues of fact at trial.

Such a result harms patent owners and accused infringers alike by introducing uncertainty, delay, and expense in the patent system. Nor will the Federal Circuit’s error only affect litigation. The PTO has issued a “*Berkheimer* Memorandum,” directing its patent examiners to apply the Federal Circuit’s modified test for patent eligibility.

This Court’s review is warranted now. In refusing en banc review, the Federal Circuit made clear that the panel decision reflects its considered judgment and will not be reconsidered. Correction can come only from this Court.

**I. The Decision Below Conflicts with Longstanding Precedent and Distorts This Court’s *Alice* and *Mayo* Framework.**

Patents exist “to promote creation.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013). “Laws of nature, natural phenomena, and abstract ideas are ‘the basic tools of scientific and technological work.’” *Alice*, 134 S. Ct. at 2354 (quoting *id.* at 589). Permitting monopolization of these basic tools would undermine—rather than promote—the progress of science and useful arts. *Ibid.*

Laws of nature, natural phenomena, and abstract ideas thus cannot be patented. Claims that cover these concepts are ineligible for patent protection under the Patent Act. In *Alice*, this Court set forth a straightforward two-part framework for determining patent eligibility under Section 101. At step one, the court “determine[s] whether the claims at issue are directed to [a] patent-ineligible concept[.]” *Alice*, 134 S. Ct. at 2355. And at step two, the court “examine[s] the elements of the claim to determine whether it contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Id.* at 2357 (citation omitted).

In the decision below, the panel correctly determined, at step one, that the claims were directed to abstract ideas. App. 11. At that point, the panel should have determined whether the claim elements provide “an ‘inventive concept’ sufficient to ‘transform’ [this

underlying] abstract idea into a patent-eligible application.” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 566 U.S. at 72-73).

But the panel did not inquire whether the claims disclose an inventive concept under step two of *Alice* and *Mayo*. Instead, it stated that an inventive concept exists whenever the claim elements involve more than “well-understood, routine, [and] conventional activities,” App. 14 (alteration in original), and “[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination.” App. 16. The panel asked the wrong question, viewed from the wrong perspective at the wrong time.

The panel’s reworking transformed step two into a “question of fact” suitable for a jury, even though this Court has always resolved it as a matter of law. The panel made it significantly more difficult to resolve patent ineligibility as a threshold issue on summary judgment or a motion to dismiss, and it imported the “clear and convincing evidence” standard for showing patent invalidity.

This Court’s intervention is urgently needed.

**A. Patent eligibility is a question of law, decided by a court based on the scope of the claims.**

Patent eligibility is a question of law based on the scope of the claims. “[A] patent claim is that ‘portion

of the patent document that defines the scope of the patentee’s rights.’” *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015) (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996)).

*Alice* and *Mayo* emphasize that the test for patent eligibility turns on the scope of the claims: “The question before us is whether the claims do significantly more than simply describe these natural relations.” *Mayo*, 566 U.S. at 77.

Evaluating eligibility requires legal classification of the claims: Do they claim subject matter that is eligible for patent protection? Or do they claim subject matter that belongs to the public, basic tools of scientific and technological work such as abstract ideas?

Determining the meaning of claims—construing the patent—has long been the responsibility of the court. *Markman*, 517 U.S. at 384. That is, a judge must determine what it is that a patent has claimed. *Id.* at 388. And patent eligibility simply turns on “what type of discovery is sought to be patented.” *Parker v. Flook*, 437 U.S. 584 (1978).

The two-step test for determining patent eligibility established by this Court in *Alice* and *Mayo* reflects these longstanding principles regarding the role of the court in defining and assessing the scope of the claims. Thus, in *Alice*, this Court explained that in “step two, we [the court] must examine the elements of the claim to determine whether it contains an ‘inventive concept.’” 134 S.Ct. at 2357. The Court neither suggested that a jury had any role to play in this inquiry nor

suggested that it could look outside “the elements of the claim.”

Similarly, *Mayo* explained that patent eligibility “rests upon an examination of the particular claims before us in light of the Court’s precedents.” 566 U.S. at 72. Again, this Court noted that the responsibility was the court’s. “We [a court] must determine whether the claimed processes have transformed these unpatentable natural laws into patent-eligible applications of those laws.” *Ibid.*

This Court’s precedent is uniform: The court, not the jury, determines patent eligibility, and it does so based on a legal analysis of the claims. See, e.g., *Diamond v. Diehr*, 450 U.S. 175, 192-93 (1981) (holding claims eligible because “we do not view [them] as an attempt to patent a mathematical formula, but rather to be drawn to an industrial process for the molding of rubber products”); *Bilski v. Kappos*, 561 U.S. 593, 609 (2010) (“[T]he Court resolves this case narrowly on the basis of this Court’s decisions in *Benson*, *Flook*, and *Diehr*, which show that petitioners’ claims \* \* \* are attempts to patent abstract ideas.”); *Parker*, 437 U.S. at 594-95 (noting “our conclusion” that “respondent’s application contains no claim of patentable invention”).

None of this Court’s Section 101 cases suggest that the Court is resolving issues of facts or looking beyond its own analysis of the scope of the claims in determining patent eligibility. Nor does this Court’s precedent—including *Alice* and *Mayo*—contain any hint of the “clear and convincing evidence” standard,



which the decision below held applies to Section 101 determinations. App. 14.

Eligibility for patent protection turns on a legal analysis of the type of discovery sought to be patented. Courts must decide both steps of eligibility as a question of law based on their assessment of the scope of the claims.

**B. The Federal Circuit erred by transforming patent eligibility into a question of fact based on the state of the art.**

The Federal Circuit significantly modified the test for an inventive concept. It declined to classify the claims as eligible or ineligible based on whether elements “transform the nature of the claim” into a patent eligible application of the abstract idea, as *Alice* directs. See 134 S. Ct. at 2355. Instead, it reduced the “inventive concept” test to a single, fact-intensive inquiry: “whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time.” App. 87-88; see also App. 18 (“whether the invention describes well-understood, routine, and conventional activities”).

This approach conflicts with this Court’s precedent: “The question \* \* \* whether a particular invention is novel is wholly apart from whether the invention falls into a category of statutory subject matter.” *Diamond*, 450 U.S. at 188-91; see also *Parker*, 437 U.S. at 584 (holding the patent eligibility inquiry

“does not involve the familiar issues of novelty and obviousness that routinely arise under §§ 102 and 103”).

Rather than considering the claims and their scope—whether “the [claim] is more than a drafting effort designed to monopolize the [abstract idea],” *Alice*, 134 S. Ct. at 2357—the Federal Circuit’s test considers the claims in light of the knowledge of the art at the time of the patent. This is a fundamentally different inquiry, and it is error.

**1. The Federal Circuit replaced this Court’s test with a phrase from *Alice* and *Mayo*.**

The Federal Circuit derived its new test from a misreading of *Alice* and *Mayo*. In those cases—both of which held that claims lacked inventive concepts—this Court noted that the steps “involve[d] well-understood, routine, conventional activity previously engaged in.” *Mayo*, 566 U.S. at 79; see also *Alice*, 134 S. Ct. at 2359.

But this Court did not hold that “routine, conventional activity” is the only way to show the absence of an inventive concept. The Federal Circuit confused part of this Court’s explanation that certain claims lacked an inventive concept with *the only way* of showing that a patent is ineligible.

The *Alice* and *Mayo* opinions never lost sight of the fundamental inquiry: whether the claim “is more than a drafting effort designed to monopolize the [abstract

idea or natural law],” *Alice*, 134 S. Ct. at 2357, which is impermissible even if the claim “limit[s] an abstract idea to one field of use or add[s] token postsolution components.” *Bilski*, 561 U.S. at 612.

This Court recognized that the claims at issue in *Alice* and *Mayo* added no inventive concept to the abstract ideas and natural laws underlying them. The “routine and conventional” elements in *Alice*, for example, merely “instruct the practitioner to implement the abstract idea \* \* \* on a generic computer.” 134 S. Ct. at 2359. That is, the claims “amount[ed] to a mere instruction to implement an abstract idea on a computer.” *Id.* at 2358 (internal quotation marks omitted); see also *id.* at 2359 (“Viewed as a whole, petitioner’s method claims simply recite [an abstract idea] as performed by a generic computer.”).

The panel’s central error was to conflate non-routineness with an inventive concept. But inventiveness—not routineness—has always been the touchstone at step two: Because nobody is entitled to monopolize an abstract principle, courts must ensure that the claim elements “transfor[m] the [principle] into an inventive application,” *Mayo*, 566 U.S. at 81, that “amounts to significantly more than a patent upon the [principle] itself,” *id.* at 73. Even where a claim relies on “less conventional” steps, those steps do not render the claim patent eligible if they “add nothing of significance” to the abstract principle itself. *Id.* at 87; see also *O’Reilly v. Morse*, 56 U.S. 62, 119 (1853) (holding that a claim involving unconventional steps—

the use of electromagnetism to print characters at a distance—was not patent eligible).

This shift in focus takes the inquiry out of the realm of claim construction and into the space inhabited by novelty, with its attendant reliance on expert witnesses, prior art, and other extrinsic evidence. But patent eligibility under Section 101 is intended to serve a “screening function.” *Mayo*, 566 U.S. at 89. It is a “threshold test.” *Bilski*, 561 U.S. at 602.

This Court’s focus in Section 101 has always remained on the breadth of the claims, the “type of discovery \* \* \* sought to be patented,” *Parker*, 437 U.S. at 584, not the state of the art at a particular point in time.

## **2. The decision below allows the novelty of an abstract idea to establish eligibility.**

Moreover, the decision below disregards this Court’s instruction that an inventive concept must be found “apart from the natural laws [or abstract ideas]” underlying the claims. *Mayo*, 566 U.S. at 73. The decision below asks only whether claims are novel: whether they “describ[e] well understood, routine, and conventional activities.” App. 18.

This test will fail to identify many patent ineligible claims. Claims that monopolize newly discovered natural laws and abstract ideas will be eligible for

patent protection because of their novelty: “Intuitively, one would suppose that a newly discovered law of nature *is* novel.” *Mayo*, 566 U.S. at 91.

This Court has thus recognized that “[t]he ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.” *Diamond*, 450 U.S. at 188-89.

The Federal Circuit’s test conflicts with this authority, permitting claims to be eligible merely because applying a newly discovered law of nature (or new abstract idea) does not involve routine and conventional activity.

### **3. Patent eligibility does not change over time with the state of the art.**

There is another flaw in the test in the decision below. Because the Federal Circuit bases patent eligibility on the knowledge of those of skill in the art “at a particular point in time [*i.e.*, the time of the patent],” App. 88, patent eligibility can change as knowledge of the art changes.

This cannot be correct. Patent eligibility rests on a legal classification of the claims: Does the patent claim ineligible subject matter—such as an abstract idea or natural law—or eligible subject matter? That legal classification cannot rationally shift over time

based on the evolving knowledge of those of skill in the art.

Yet under the Federal Circuit's approach, patent eligibility can change over time. Identical claims might be held to fall within eligible subject matter at one point in time but held to cover ineligible subject matter if they had been filed later.

In *Diamond*, this Court held that claims were eligible for patent protection because they were directed to a specific "process for curing rubber" rather than an attempt to monopolize the underlying natural law. 450 U.S. at 188. If these claims concerned subject matter that was eligible for patent protection in 1975 (when filed), *id.* at 177, then their subject matter would have been eligible for patent protection had the application been filed in 2000, and their subject matter would remain eligible for patent protection if the application were filed in 2025.

To be sure, time and developments in the art have almost certainly rendered the claims from *Diamond* obvious or anticipated. 35 U.S.C. §§ 102, 103. These tests for patentability depend on factual questions such as "the scope and content of the prior art \* \* \* ; differences between the prior art and the claims at issue \* \* \* ; and the level of ordinary skill in the pertinent art." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

But the result of the threshold *eligibility* question will never change. It is not a question of knowledge of the art; it is a question of the scope of the claims.

Section 101 ceases to have meaning if the legal categories of patent eligible and patent ineligible subject matters evolve based on how skilled artisans view the limitations over time.

#### **4. Patent eligibility does not depend on the draftsman's art.**

Moreover, the Federal Circuit's reliance on an assertion in the specification that the claims did not involve "routine and conventional" activities causes patent eligibility to depend on "the draftsman's art," precisely what this Court warned against in *Mayo*. See 566 U.S. at 72.

Based on the decision below, commentators are now advising patent applicants that "going forward, [it] would be wise to remove (or at least rethink) certain statements in [an] application specification that could be interpreted as indicating that certain features and/or elements of a claimed invention are well-understood, routine, and/or conventional in the art." Adam Saxon, *Analyzing the Impact of the USPTO's Berkheimer Memorandum*, IP WIRE, <http://ipwire.com/stories/analyzing-the-impact-of-the-usptos-berkheimer-memorandum/> (May 15, 2018).

Patent eligibility turns on the scope and subject matter of the claims. That the Federal Circuit's test causes it to depend on artful drafting of the specification confirms the error in the decision below.

**5. Under the Federal Circuit’s test, this Court erred in *Alice* and *Mayo*.**

Indeed, under the reasoning of the decision below, this Court erred in affirming summary judgment in *Alice* and *Mayo*. The specification of one of the patents at issue in *Alice* alleged that “[t]here are disadvantages or limitations associated with such available economic risk management mechanisms. Particularly, they provide, at best, only indirect approaches to dealing with the risk management needs.” U.S. Pat. No. 5,970,479 at 2:33-36. It explains, “[t]he present invention \* \* \* provides an automated infrastructure to which parties have access without restrictions relating to nationality or residential requirements. This allows the parties to participate directly without requiring an intermediary.” *Id.* at 4:8-12.

The same is true for the claims in *Mayo*, where the specification of one of the patents in suit explained that the patent provided methods for “optimiz[ing] the dose of 6-mercaptopurine drugs and assess[ing] bio-transformation in individual patients” that provided advantages in “optimiz[ing] the therapeutic efficacy \* \* \* while minimizing toxic side effects” that were unknown in the prior art. U.S. Pat. No. 6,355,623 at 2:8-13.

Under the panel’s test, these assertions of “improvements” in the specifications would suffice to “create a factual dispute regarding whether the invention describes well-understood, routine, and conventional activities.” App. 18.



That the claims this Court held were ineligible in both *Alice* and *Mayo* would survive summary judgment under the Section 101 test created below confirms both the Federal Circuit’s error and the need for this Court’s review.

## **II. This Important Decision Warrants Review by This Court.**

The decision below warrants review from this Court. Transforming the Section 101 inquiry from a purely legal analysis of the claims into a test dependent on underlying factual inquiries into the state of the art represents a significant shift in jurisprudence.

### **A. The Federal Circuit’s broadening of patent eligibility deprives the public of the basic tools of innovation.**

By redefining the inquiry at step two of *Alice*, the Federal Circuit greatly expanded the range of potentially patent eligible inventions. As a result, it is now much easier for inventors to monopolize the “building blocks of human ingenuity.” *Alice*, 134 S. Ct. at 2354.

The lower bar for eligibility will have—and has had—an immediate effect on patent litigation, where defendants like HP Inc. may face potential liability when they are accused of infringing patents that concern abstract ideas or natural laws that would be ineligible for protection under this Court’s test.

But the effect of the decision below has not been limited to patent litigation. The decision will also have a significant effect on patent prosecution, resulting in the issuance of more patents that should have been rejected under this Court's test.

In the wake of *Alice* and *Mayo*, examiners at the PTO began relying increasingly on Section 101 to reject proposed claims, particularly in software patents. See James Cosgrove, *§ 101 Rejections in the Post-Alice Era*, IP Watchdog, <http://www.ipwatchdog.com/2017/03/07/101-rejections-post-alice-era/id78635/> (Mar. 7, 2017) (“Before the recent flurry of § 101 cases, § 101 was the least-frequently cited section of the Patent Act among []PTO rejections, accounting for just 8.5% of all rejections issued before *Bilski*. In the post-*Alice* era, however, that number has risen to 12.2% of all rejections[.]”); Lincoln S. Essig, *Impact of the USPTO Examination Guidelines on Software Patents Post-Alice*, Knobbe Martens, <https://www.knobbe.com/news/2016/09/impact-uspto-examination-guidelines-software-patents-post-alice> (Sept. 2, 2016) (“Our analysis of the patents issued since the *Alice* decision reveals a marked increase in the occurrence of 101 Rejections in the selected art units. \* \* \* [T]here has been both a sharp increase in patent eligibility rejections and a sharp decrease in issued patents for software and business method-related inventions since *Alice*.”).

Recognizing the significance of the decision below, the PTO issued new guidance through a memorandum addressing this case. See Robert W. Bahr, *Changes in Examination Procedure Pertaining to Subject Matter*

*Eligibility, Recent Subject Matter Eligibility Decision (Berkheimer v. HP, Inc.)*, USPTO, <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF> (Apr. 19, 2018). This new guidance confirms the Federal Circuit’s departure from this Court’s precedent and the significant effects of the decision below on patent prosecution.

The “*Berkheimer* Memorandum” highlights the Federal Circuit’s novel holding that “whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination.” *Id.* at 2 (quoting App. 16). Accordingly, the *Berkheimer* Memorandum “revises” the Manual of Patent Examining Procedures—the guidebook patent examiners depend on to do their jobs—and changes the patent eligibility analysis. *Id.* at 3-5.

The *Berkheimer* Memorandum now explains that eligibility is easily satisfied, directing examiners to “conclude that an element (or combination of elements) represents well-understood, routine, conventional activity *only when* the examiner can *readily conclude* that the element(s) is widely prevalent or in common use in the relevant industry” in step two of the *Mayo/Alice* test. *Id.* at 3 (emphases added).

By applying a weakened test for eligibility, the decision below will lead to defendants being held liable for infringing claims that should be ineligible and will lead to the issuance of invalid patents in the first instance. Correction is warranted.

**B. Transforming patent eligibility into a question of fact will have a significant practical effect on patent litigation.**

Not only does the Federal Circuit apply the wrong substantive standard—focusing on the state of the art rather than the scope of the claims—but also its transformation of Section 101 from a legal to a predominantly factual inquiry will have enormous procedural and practical significance.

Prior to the decision below, district courts and the Federal Circuit regularly held in view of *Alice* and *Mayo* that claims were ineligible on the pleadings or at summary judgment. *E.g.*, *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1374-75 (Fed. Cir. 2017); *Secured Mail Sols. LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 911-12 (Fed. Cir. 2017); *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1370 (Fed. Cir. 2015).

Section 101 thus permitted early and inexpensive resolution of cases with patents directed to ineligible subject matter. One study reported that in the period following *Alice*'s issuance until April 30, 2017, the federal courts invalidated patents on Section 101 grounds in 330 out of 488 decisions. See *#Alicestorm: April Update and the Impact of TC Heartland on Patent Eligibility*, Fenwick & West Bilski Blog, <http://www.bilskiblog.com/blog/2017/06/alicestormapril-update-and-the-impact-of-tc-heartland.html> (June 1, 2017). After *Alice* issued, “the proverbial motions practice

floodgates[] opened.” *Intellectual Ventures I LLC v. Erie Indem. Co.*, 134 F. Supp. 3d 877, 895 (W.D. Pa. 2015).

Legal scholars identified *Alice* as empowering district courts to provide early resolution of software patent eligibility issues, bringing benefits to the judiciary and litigants alike. Pamela Samuelson, the Richard M. Sherman Distinguished Professor of Law and Information at the University of California, Berkeley, explained that the *Alice* ruling reduced litigation based on “patents that issued during the ‘everything’s patentable’ era during the 1990s and 2000s.” Timothy B. Lee, *Why a 40-year-old SCOTUS ruling against software patents still matters today*, ARS Technica, <https://arstechnica.com/features/2018/06/why-the-supreme-courts-software-patent-ban-didnt-last/3/> (June 21, 2018); see also Richard Lloyd, *Alice decision a big reason for sharp fall in US patent litigation, says Mark Lemley*, IAM, <http://www.iam-media.com/Blog/Detail.aspx?g=dadf4dce-0f75-45dc-9339-dacb0f7bb465> (Oct. 9, 2014) (explaining that Stanford Law Professor Mark Lemley “thinks the recent U.S. Supreme Court decision in *Alice v. CLS* may be a large part of the reason why” the number of new patent infringement lawsuits “filed in September [2014] was down forty percent year-on-year”); Timothy B. Lee, *Patent lawsuits are down. Does the Supreme Court deserve credit?*, Vox, <https://www.vox.com/2014/10/8/6948795/is-the-supreme-courts-war-on-software-patents-discouraging-patent> (Oct. 8, 2014) (Professor Lemley noting that the large number of district court decisions invalidating software and

business method claims “on the basis of *Alice*” was “a pretty strong deterrent to software plaintiffs whose patent isn’t directed to specific new computer technology”).

By transforming the test for an inventive concept under Section 101 into a factual inquiry, the Federal Circuit’s decision will often prevent resolution of eligibility on a motion to dismiss or summary judgment. Patent eligibility will (and has) now become an issue that will only be decided at or after trial. One industry publication recognized the decision below as “‘an important decision that is certainly going to shift the pendulum back’ in favor of patent owners” because under the *Berkheimer* test, “[a]ny attorney worth his or her salt can make a genuine issue of material fact.” Ryan Davis, *Quick Alice Wins May Be Tougher After Fed. Circ. Ruling*, IP LAW360, <https://www.law360.com/ip/articles/1011140/quick-alice-wins-may-be-tougher-after-fed-circ-ruling> (Feb. 13, 2018).

The effects of the decision below on patent litigation can already be seen. See, e.g., *Vaporstream, Inc. v. Snap Inc.*, No. 2:17-CV-00220-MLH-KSX, 2018 WL 1116530, at \*6 (C.D. Cal. Feb. 27, 2018) (“Here, there is competing expert testimony as to that specific question of fact [whether the elements are routine and conventional]. Accordingly, summary judgment on this issue is inappropriate.” (internal citations omitted)); *Sycamore IP Holdings LLC v. AT & T Corp.*, 294 F. Supp. 3d 620, 654 (E.D. Tex. 2018) (citing *Berkheimer* in denying motion for summary judgment).

**C. The decision below introduces uncertainty into the patent system, harming patent owners, accused infringers, and the public.**

Treating patent eligibility as a question of law based on the scope of the claims creates certainty for patent owners, accused infringers, and the public seeking to innovate.

A defendant accused of infringement can review the claims, consider them in light of the precedent of this Court and the Federal Circuit, and assess whether they concern eligible subject matter. A patent owner can perform a similar analysis to accurately value its intellectual property and predict whether a court would hold its claims eligible or ineligible.

And although the predictability of legal rulings on patent eligibility may be imperfect, it is assuredly greater than the predictability of patent eligibility rulings under the Federal Circuit's test, in which patent eligibility turns on questions of fact.

But under the decision below, predicting whether claims will be held eligible or ineligible will require evaluating the potential evidence that might be provided. Rather than considering claims in light of precedent, a party must predict whether a jury would be more likely to credit a plaintiff's expert or a defendant's expert. Patent owners are deprived of confidence in the strength of their patents, knowing a defendant can retain an expert to testify that the elements were

routine and conventional. And accused infringers are deprived of confidence that a patent will be recognized as ineligible, knowing that a jury may credit a plaintiff's retained expert.

Similarly, the general public seeking to innovate cannot be assured that it may make use of “the basic tools of scientific and technological work.” *Alice*, 134 S. Ct. at 2354, now that the Federal Circuit has made protection of the public's right to use these tools dependent on which expert a jury chooses to credit.

Patent applicants, patentees, and accused infringers need better guidance. Several Federal Circuit judges have requested further direction. In his concurrence to the denial of rehearing en banc in this case, Judge Lourie—joined by Judge Newman—recognized “that § 101 requires further authoritative treatment.” App. 102. “[T]he law needs clarification by higher authority, perhaps by Congress,” App. 99, and “certainly require[s] attention beyond the power of this court.” App. 102.

More recently in a separate case, Judge Plager—a senior judge who could not take part in the en banc denial in *Berkheimer*—issued a seventeen-page “dissent from our court's continued application of [Section 101]'s incoherent body of doctrine,” stating he “want[s] to go on [the] record as joining my colleagues who have recently expressed similar views about the current state of our patent eligibility jurisprudence.” *Interval Licensing LLC*, 896 F.3d at 1348, 1353 (Plager, J.,



concurring in part and dissenting in part) (citing Judge Lourie’s concurrence in the decision below).

Whether patent eligibility is a question of law based on the scope of the claims or a question of fact based on the state of the art is extraordinarily important for patent litigation and the patent system as a whole. Patentees and accused infringers need an authoritative answer from this Court. The Federal Circuit’s distortion of the *Alice* and *Mayo* test, which significantly weakens the test for patent eligibility, warrants review by this Court.

### **III. This Case Is an Appropriate Vehicle.**

This case provides an appropriate vehicle for this Court to resolve the question. Patent eligibility was fully briefed to and addressed by both the district court and the Federal Circuit. There are no additional legal or factual issues to complicate this Court’s analysis of these important questions. Indeed, none of the opinions regarding the Federal Circuit’s en banc rehearing denial identified any vehicle issues.

And both the district court and the Federal Circuit found the claims are directed to abstract ideas under step one. This allows this Court to address only the test for step two, the “inventive concept.”

The ’713 Patent is also representative of problematic software patents. The inventor is a non-programmer who uses invented language (sometimes, technical terms not given their ordinary meanings) for common

and broad software concepts. See Matt Levy, *Software Patents Will Survive: How Section 101 Law Is Settling Down*, IP Watchdog, <http://www.ipwatchdog.com/2016/11/30/software-patents-will-survive/id=75101/> (Nov. 30, 2016) (asking that the law provide “some form of predictability” because “the problem hasn’t been software patents per se; it’s been bad software patents that overclaim and block others from innovating”); see also Gene Quinn, *A Software Patent Discussion with Matt Levy*, IP Watchdog, <https://www.ipwatchdog.com/2017/04/18/software-patent-discussion-matt-levy/id=82166/> (Apr. 18, 2017) (noting all too often software patent claims are drafted “at too high a level, too abstract a level, they end up capturing way more than they invented. And so they end up being able to block other people from doing things that they should be able to do”).

The ’713 Patent simply claims a type of data manipulation and storage, without claiming any specific structure or means for achieving it. Cf. *Alice*, 134 S. Ct. at 2360 (noting that the claims recited computer hardware that was “purely functional and generic”). These sorts of claims represent the mine-run of software patents directed to abstract ideas.

Evaluating the scope of the claims as a question of law, the district court granted summary judgment holding the claims ineligible. Considering the factual question of the state of the art at the time of the patent, the Federal Circuit held that summary judgment was improper. The proper test for Section 101 thus controls the result.

There were no alternative grounds for the Federal Circuit's judgment. The Section 101 issue is fully presented in the case and is determinative of the outcome.

#### **IV. Review Is Warranted Now, Without Further Percolation.**

Nor is further percolation warranted. Because of the Federal Circuit's exclusive jurisdiction over patent appeals, no circuit split could develop on the issue.

And although the Federal Circuit did not grant rehearing en banc, the opinions concurring in and dissenting from the denial make clear that the panel opinion represents the considered judgment of the Federal Circuit as a whole and will not be revisited. In her concurrence to the denial of en banc review, Judge Moore (joined by four other Federal Circuit judges) characterized the decision below as "unremarkable" and "narrow." App. 87, 97; see also App. 104-05 (criticizing the court's vote to deny en banc review as a "declaration that nothing has changed in our precedent" and encouragement "to move along; there's nothing to see here").

Judge Lourie expressed doubt in his concurrence that the Federal Circuit has the capability to fix Section 101, explaining that revisiting the issue en banc would only "dig[] the hole deeper by further complicating the § 101 analyses." App. 103.

The recent panel decision in *BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281 (Fed. Cir. 2018),

confirms the need for this Court’s review, illustrating the unpredictability of the test adopted in the decision below and the extent to which it renders eligibility dependent on the draftsman’s art.

*BSG*, like the decision below, involved abstract claims concerning storage of information on computers. *Id.* at 1283. Distinguishing the decision below, *BSG* explained that in this case, the “specification described [features in several claims] as unconventional improvements over conventional systems.” *Id.* at 1290. And the panel determined that it was irrelevant whether certain features “may have been non-routine or unconventional as a factual matter” because they were “abstract features,” unlike the decision below, which involved “non-abstract features.” *Id.* at 1290-91.

As this petition illustrates, patent eligibility thus turns on the particular content of the specification and the particular arguments made by the party during litigation, including whether a court subsequently classifies those arguments as concerning abstract or non-abstract features. Until this Court provides further guidance, the outcome of an appeal will depend entirely on the membership of the panel.

The decision below is having an immediate and significant effect on litigation in district courts and patent prosecution at the PTO. The longer the Court waits to address the issue, the more cases will be erroneously decided under the *Berkheimer* standard and the more patents will be erroneously issued under the PTO’s *Berkheimer* Memorandum.

The correct test for Section 101—in particular, whether that test involves underlying issues of fact—represents an extremely important issue for the patent system. This Court should resolve the issue now, without further percolation, and it should decide the issue in this case.

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**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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