

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

**BRIEF OF *AMICI CURIAE* ELECTRONIC
FRONTIER FOUNDATION AND R STREET
INSTITUTE IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICI CURIAE*¹

Amicus curiae the Electronic Frontier Foundation (“EFF”) is a non-profit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 37,000 dues-paying members care deeply about ensuring that intellectual property law in this country serves the goal set forth in the Constitution: promoting the progress of science and technological innovation. As part of its mission, EFF has often served as an *amicus* in patent cases before this Court, including *Ariosa Diagnostics, Inc., v. Illumina, Inc.*, No. 18-109 (2018); *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014) (“*Alice*”); and *Bilski v. Kappos*, 561 U.S. 593 (2010).

Amicus curiae the R Street Institute is a non-profit, non-partisan public-policy research organization. R Street’s mission is to engage in policy research and educational outreach that promotes free markets, as well as limited yet effective government, including properly calibrated legal and regulatory frameworks that support Internet economic growth and individual liberty. R Street’s particular focus on Internet law and policy is one of offering research and analysis that show the advantages of a more market-oriented society and of more effective,

1. Pursuant to Supreme Court Rule 37.3(a), all parties have provided their consent to the filing of this brief. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

more efficient laws and regulations that protect freedom of expression and privacy.

INTRODUCTION AND SUMMARY OF ARGUMENT

This Court's decision in *Alice v. CLS Bank* empowered district courts across the country to decide patent eligibility as a matter of law on the basis of the patent. That pathway to early resolution has spared litigants and courts from wasting time and effort on meritless cases, allowing software developers and small companies to focus on developing technology instead of defensive litigation. *Alice* has thus helped our patent system serve its real purpose: spurring innovation.

The Federal Circuit's decision in *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018) threatens to undo that good work, with consequences that go far beyond the particular facts of this case. The decision effectively exempts patent owners from the Federal Rules of Civil Procedure governing summary judgment, ensuring invalid patents make it to trial. Rule 56(c) requires some *evidence* (e.g., a deposition, document, or interrogatory response) to support a party's assertion that a factual dispute precludes summary judgment, *see* Fed. R. Civ. P. 56(c), but the Federal Circuit did not require or rely on any such evidence to vacate summary judgment in *Berkheimer*. Instead, it relied on statements from the specification of Mr. Berkheimer's patent. Such statements cannot be enough to avoid summary judgment consistent with Rule 56.

Here, in keeping with standard practice, the patent was attached to the complaint.² Attaching the patent to the complaint made it part of the pleadings “for all purposes.” Fed. R. Civ. P. 10(c). Once part of the pleadings, statements in the patent could not by themselves support a factual dispute precluding summary judgment. Yet the Federal Circuit’s decision allows statements in the patent to do just that; specifically, to raise a factual question as to whether the technology was well-understood, routine, and conventional.

This Court’s intervention is necessary to confirm that the Federal Rules of Civil Procedure apply with equal force to all litigants—including patent holders.

The Federal Circuit’s decision to identify a question of fact under these circumstances is also inconsistent with this Court’s precedent. First, it departs from the approach this Court has consistently taken in resolving patent eligibility under 35 U.S.C. § 101 as a matter of law without factfinding. Second, its approach to fact-law distinctions contravenes the approach this Court approved in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015). Third, *Berkheimer*’s rigid requirement of conventionality cannot be reconciled with *Alice*’s holding that generic computer implementation cannot make abstract ideas eligible for patent. Unless corrected, these inconsistencies will undermine the certainty, uniformity, and accuracy of patent eligibility decisions coming from courts and the Patent Office.

2. Exhibit A to Complaint, *Berkheimer v. HP Inc.*, No. 12-CV-09023, (N.D. Ill. Nov. 9, 2012), ECF No. 1.

Amici's concerns about the effects of *Berkheimer* are not speculative. The decision is already changing the way district courts and patent examiners evaluate patent eligibility. Since the decision came out, district courts have consistently delayed patent eligibility rulings, reversing the trend toward early resolution that began after *Alice*. Similarly, the Patent Office has provided new guidance based on *Berkheimer* that precludes patent examiners from rejecting ineligible applications based on this Court's guidance in *Alice*.

There is an urgent need for this Court's review.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION EFFECTIVELY PRECLUDES THE RESOLUTION OF PATENT ELIGIBILITY AS A MATTER OF LAW.

A. *Alice* Abrogated the Federal Circuit's Overly Permissive Approach to Patent Eligibility and Allowed Courts to Reject Ineligible Claims Without Factfinding or Trial.

In *Alice*, this Court held that generic computer implementation alone cannot save a patent claim that is otherwise ineligible for patent protection under § 101. *See Alice*, 134 S. Ct at 2355-60. The Court did not remand for a factfinder to determine whether any claim elements were well-understood, routine, and conventional. Nor did it suggest such a remand would be proper. Instead, it decided the patent was ineligible as a matter of law, and approved the district court's decision to do the same at summary judgment.

Since the decision came out, district courts across the country have relied on *Alice* to reject ineligible patent claims on the pleadings and at summary judgment.³ *Berkheimer*, by contrast, undermines their ability to do so by permitting patent owners to create factual disputes simply by pointing to assertions in the descriptive portions, or specifications, of their own patents.

B. *Berkheimer* Allows Patent Owners to Avoid Summary Judgment by Exempting them from Rule 56(c).

The Federal Circuit’s decision attempts to create an exception to the Federal Rules of Civil Procedure exclusively for patent owners—an approach this Court has consistently rejected. It should do the same here.

Subsection (c) of Rule 56 provides: “A party asserting that a fact cannot be or is genuinely disputed must support the assertion by . . . (A) citing to particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations (including those made for purposes of the motion only), admissions, interrogatory

3. Paul R. Gugliuzza, *Quick Decisions in Patent Cases*, 106 *Geo. L.J.* (forthcoming 2018) (manuscript at 38), <https://ssrn.com/abstract=2987289> (reporting that, after *Alice*, the number of eligibility dismissals on the pleadings to increase more than tenfold, from 5 in 2013 to 75 in 2016); *see also* Jasper L. Tran, *Two Years After Alice v. CLS Bank*, 98 *J. Pat. & Trademark Off. Soc’y* 1, 2 (2016) (“As of June 19, 2016 (*i.e.* *Alice*’s two-year mark), courts have examined 568 challenged patents brought under § 101 motions citing *Alice*, resulting in 190 valid patents and 378 patents invalidated with an average invalidation rate of 66.5%.”)

answers, or other materials.” Fed. R. Civ. P. 56(c). Given the omission of the pleadings from that list, this Court has held that Rule 56 allows “a proper summary judgment motion to be opposed by any of the kinds of evidentiary materials listed in Rule 56(c), except the mere pleadings themselves.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) (requiring “evidence on which the jury could reasonably find for the plaintiff”) (citing *Dombrowski v. Eastland*, 387 U.S. 82, 84 (1967) (requiring more than “merely colorable substance to petitioners’ assertions”).

The exclusion of the pleadings necessarily excludes, in turn, a patent attached as an exhibit to the complaint. “A copy of a written instrument that is an exhibit to a pleading is a part of the pleading for all purposes.” Fed. R. Civ. P. 10(c). In other words, “[u]nder the Federal Rules of Civil Procedure, the patent is considered part of the complaint”⁴ that, therefore, cannot be relied upon, by itself, to create a material factual dispute.

A patent specification might create a genuine issue of material fact if the specification were akin to a declaration or affidavit attached to a complaint, but the specification is not for at least two reasons. First, as discussed further below, *see infra* at 11-14, the specification is an unverified self-serving collection of prophetic assertions, not subject to penalties of perjury as a declaration or affidavit might be. Second, this Court has held that the patent specification is a “written instrument” amenable to “construction as a question of law.” *Teva*, 135 S. Ct. at 837 (2015); *id.* at 845

4. Gugliuzza, *supra* note 3, at 31.

(Thomas, J., dissenting). Accordingly, district courts routinely decide motions to dismiss by looking at the patent. *See, e.g., CertusView Techs., LLC v. S&N Locating Servs., LLC*, 111 F. Supp. 3d 688, 704 (E.D. Va. 2015) (resolving patent eligibility on a motion for judgment on the pleadings because “the Court finds that it need not rely on any factual matter other than that presented in the specifications of the patents-in-suit themselves”), *aff’d*, 695 F. App’x 574 (Fed. Cir. Aug. 11, 2017).⁵

Allowing patent owners to rely on statements in their patents to avoid summary judgment undermines its purpose as a mechanism for resolving cases that have gone beyond the pleading stage but are not appropriate for trial. As the Advisory Committee noted in rejecting a similar unhelpful doctrine (embraced by the Third Circuit) that allowed the party opposing summary judgment to “rest[] on averments of his pleadings which on their face present an issue”:

The very mission of the summary judgment procedure is to pierce the pleadings and to assess the proof in order to see whether there is a genuine need for trial. The Third Circuit doctrine, which permits the pleadings themselves to stand in the way of granting an otherwise justified summary judgment, is incompatible with the basic purpose of the rule.

5. *See also* Gugliuzza, *supra* note 3, at 36 (“If the court can decide a particular patent’s eligibility solely by reference to the patent itself and information subject to judicial notice, then resolving eligibility on the pleadings is proper.”)

Fed. R. Civ. P. 56, Advisory Committee's Note to 1963 Amendment (citing 6 *Moore's Federal Practice* 2069 (2d ed. 1953)).

The same is true of the Federal Circuit's approach in *Berkheimer*: it is incompatible with Rule 56 because it does not pierce the patent owner's pleadings to assess if a genuine need for trial exists.

At the summary judgment stage, both sides have had the opportunity to take discovery and collect the evidence they will present at trial. Patent owners should not be able to rely on self-serving assertions in their own patents to preclude summary judgment of ineligibility. Allowing them to do so, as *Berkheimer* does, effectively exempts patent owners from the Federal Rules of Civil Procedure so that they do not have to comply with this Court's precedent.

C. The Patent Specification is a Self-Serving, Non-Testimonial Document that Cannot Create Factual Disputes Based on a Patent Owner's Assertions.

The Federal Circuit erred in treating a patent's specification as a testimonial document that could give rise to a question of material fact. The specification is a self-serving statement of an inventor's personal hopes and aspirations. Without this Court's intervention, *Berkheimer* will give this non-evidence material weight, permitting patent owners to bring ineligible claims to trial and prevent them from receiving *de novo* review on appeal.

Patent owners have control over what statements to include in a patent’s specification, and can include any assertions they believe will bolster eligibility arguments when they arise. There is no legal requirement that a patent applicant verify or declare the accuracy of any factual assertion in the specification. An inventor must declare only that “such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application,” but not any belief as to the accuracy of other material. 35 U.S.C. § 115. Indeed, the Patent Office and courts explicitly recognize that patent applications may contain “prophetic” or “paper” examples not grounded in fact, so long as those examples are couched in the present tense. *Hoffman–La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1363 (Fed. Cir. 2003); *Manual of Patent Examining Procedure* § 608.01(p)(II) (9th ed. 2018).

Nor does patent examination guarantee the accuracy of any assertions in the specification. Patent examiners read the application, including the specification, to understand the claimed invention,⁶ but they do not necessarily review its contents for comprehensiveness or correctness.⁷ Nor could they given the limited amount of

6. See U.S Patent & Trademark Office, *Manual of Patent Examining Procedure* § 701 (9th ed. Jan. 2018) (“The Director shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor.”); *id.* § 706 (“After the application has been read and the claimed invention understood, a prior art search for the claimed invention is made.”).

7. *E.g.*, Andrew Pollack, *Disgraced Scientist Granted U.S. Patent for Work Found to be Fraudulent*, N.Y. Times (Feb. 14, 2014),

time they have to conduct an entire examination and write a decision—on average, less than 20 hours.⁸

Should the Federal Circuit’s decision stand, patent applicants will face especially strong incentives to introduce prophetic, non-factual statements in their patent specifications to manufacture factual disputes sufficient to overcome summary judgment. Even if owners of granted patents are constrained to some extent, future patent applicants face no such constraints. They will be able to write into their patent applications all they need to guarantee their cases will go to trial. By allowing an approach that lets patent owners draft around patent eligibility law, *Berkheimer* embraces what this Court has long warned against—“interpreting § 101 ‘in ways that make patent eligibility ‘depend simply on the draftsman’s art.’” *Alice*, 134 S. Ct. at 2360 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72 (2012) (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978))).

The Federal Circuit’s decision is thus an erroneous mischaracterization of self-serving assertion as fact, and one that roadmaps its own path to abuse. Certiorari is

<https://www.nytimes.com/2014/02/15/science/disgraced-scientist-granted-us-patent-for-work-found-to-be-fraudulent.html>.

8. See Stephen Yelderman, *The Value of Accuracy in the Patent System*, 84 U. Chi. L. Rev. 1217, 1233 (2017) (“Patent examiners on average have fewer than twenty hours to read a patent application, search the prior art, and render a written decision.”); see also U.S. Government Accountability Office, GAO-16-490, *Patent Office Should Define Quality, Reassess Incentives, and Improve Clarity* (June 2016) at 27, <https://www.gao.gov/assets/680/678113.pdf> (70% of patent examiners feel pressure to grant applications that should be rejected because of time constraints).

warranted to ensure that patent applicants are not handed a simple strategy to invent factual disputes where there ought to be none.

II. THE FEDERAL CIRCUIT'S NOVEL APPROACH TO CLASSIFYING FACTUAL QUESTIONS IS INCONSISTENT WITH THIS COURT'S PRECEDENT.

A. This Court Has Never Treated Conventionality as a Subsidiary Factual Issue.

The Federal Circuit's decision to identify a question of fact under these circumstances is unprecedented. Although courts have acknowledged the possibility of factual questions relevant to the legal issue of patent eligibility,⁹ no court has ever identified one in an actual case until now.¹⁰ The Federal Circuit did not explain why it considered this particular question (*i.e.*, conventionality, or whether an element of a claim is well-understood, routine, and conventional) to be a factual one. Nor did it explain how to square its decision with this Court's precedents, which have enumerated subsidiary factual issues for invalidity under other sections of the Patent

9. See, e.g., *In re Comiskey*, 554 F.3d 967, 975 (Fed. Cir. 2009) (deciding patent eligibility as a matter of law, but recognizing that “there may be cases in which the legal question as to patentable subject matter may turn on subsidiary factual issues”).

10. See *Gugliuzza*, *supra* note 3, at 35 (“[*Berkheimer*’s] identification of a particular issue of fact—whether the claimed invention is conventional in the field—is unprecedented in Federal Circuit law.”).

Act, such as Section 103 (governing obviousness),¹¹ but never Section 101.

B. Permitting Factual Questions to Arise from the Patent Specification Conflicts with the Fact-Law Distinction Courts Use in Claim Construction under *Teva v. Sandoz*.

The Federal Circuit’s holding that a factual question can arise from statements in a patent specification is inconsistent with the approach this Court approved for claim construction in *Teva v. Sandoz*. In *Teva*, the question was whether factual issues relating to the interpretation of the patent, called claim construction, could arise, and if so, under what circumstances. The Court decided that the dividing line between factual and legal questions on appellate review was based on the source of the information considered: whether it originated from the patent specification or an extrinsic source. Under *Teva*, “when the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent’s prosecution history), the judge’s determination will amount solely to a determination of law, and the Court of Appeals will review that construction *de novo*.” *Teva*, 135 S. Ct. at 841. The Court thus distinguished review of the specification, which it treated as a purely legal matter, from factual questions that were given more deferential appellate review because they derived from another source.

11. See *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17 (1966) (“Under [§] 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.”).

By contrast, the Federal Circuit in *Berkheimer* treated an inference from the patent specification as a factual matter, thus conflating the specification with extrinsic testimony in a manner contrary to *Teva*. There is thus no reasonable way to reconcile *Teva*'s holding that determinations based on the specification remain legal conclusions with the Federal Circuit's holding that statements in the specification can create questions of fact. While *Teva* dealt with a different ultimate legal question, the rationale for employing different procedures in claim construction and patent eligibility is not readily apparent. Both are ultimately questions of law that courts routinely decide by looking at the patent. There is no principled reason to treat patent eligibility as exceptional, and to the extent that there is, this Court should clarify what methodology should be used to classify a particular issue as factual or legal and whether the type of information considered is relevant.

This Court should correct the Federal Circuit's mistaken conflation of specification-based and extrinsic evidence here in precisely the way that *Teva* corrected the Federal Circuit's mistaken treatment of such evidence in claim construction. In *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272 (Fed. Cir. 2014), the Federal Circuit stated its view that all matters of claim construction received *de novo* review; the court found "no rationale for denominating an issue of claim construction as one of fact or law depending on the source of the information." *Id.* at 1289. The Federal Circuit thus conflated specification-based and extrinsic evidence in *Lighting Ballast*, a result that *Teva* explicitly overturned. *Lighting Ballast Control LLC v. Universal Lighting Techs., Inc.*, 135 S. Ct. 1173 (2015) (vacating *Lighting Ballast*, 744 F.3d 1272), *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015) (abrogating same).

Although this Court considered the source of information dispositive in *Teva*, the Federal Circuit treated the source of information as irrelevant, again, in *Berkheimer*. That it did so without addressing *Teva* confirms the need for review.

C. *Berkheimer*'s Conventionality Requirement Conflicts with *Alice*'s Holding that Generic Computer Implementation Cannot Confer Patent Eligibility on Abstract Ideas as a Matter of Law.

The Federal Circuit's decision is irreconcilable with the *Alice* decision it purported to apply. In *Alice*, this Court held that “merely requiring generic computer implementation fails to transform [an] abstract idea into a patent-eligible invention.” *Id.* at 2352. Despite that holding, the Federal Circuit never considered whether the claims here are ineligible as a matter of law because they require only generic computer implementation, regardless of whether every claim element is also well-understood, routine, and conventional.

Like the claims here, those in *Alice* included *arguably* inventive elements—*e.g.*, a “communications controller” and “data storage unit”—but held that they could not confer eligibility because they were “purely functional and generic.” *Id.* at 2360. This Court did not suggest that proof of conventionality as a *factual* matter was required to find the claims ineligible as a matter of *law* in *Alice*.

If *Berkheimer* were correct that conventionality is a factual question not amenable to judicial resolution, then this Court could not have reached its own determination

in *Alice*. This demonstrates yet another conflict between this Court’s precedent and the decision at issue here. Perhaps unsurprisingly, the author of the *Berkheimer* opinion expressed doubts about whether this Court could find the claims ineligible in *Alice*. See *CLS Bank Int’l v. Alice Corp. Pty.*, 717 F.3d 1269, 1314 (Fed. Cir. 2013) , *aff’d*, 573 U.S. 208 (2014) (Moore, J., dissenting) (“How can this system, with its first party device, data storage unit, second party device, computer, and communications controller, be an ‘abstract idea’?”).

III. CERTIORARI IS NECESSARY TO PROTECT THE INNOVATION *ALICE* HAS MADE POSSIBLE.

A. *Berkheimer* Is Already Preventing Courts and the Patent Office from Resolving Eligibility under *Alice*.

Berkheimer is already making it harder for courts and patent examiners to resolve eligibility challenges as a matter of law under *Alice*. District courts considering patent eligibility issues post-*Berkheimer* have consistently declined to decide eligibility as a matter of law without factfinding.¹² The reversal of the trend *Alice* started will

12. See, e.g., Order, *Vendavo, Inc. v. Price F(X) AG*, No. 17-CV-06930-RS (N.D. Cal. Oct. 22, 2018) , ECF No. 92 (motion to dismiss); *Vaporstream, Inc. v. Snap Inc.*, No. 17-CV-00220-MLH-KSX, 2018 WL 1116530, at *6 (C.D. Cal. Feb. 27, 2018) (summary judgment); *Sycamore IP Holdings LLC v. AT & T Corp.*, 294 F. Supp. 3d 620, 654 (E.D. Tex. 2018) (summary judgment); *Pure Data Sys., LLC v. Ubisoft, Inc.*, No. 18-CV-00852-JCS, 2018 WL 3417530, at *4 (N.D. Cal. Jul. 13, 2018) (motion to dismiss); *Hypermedia Navigation LLC v. Facebook, Inc.*, No. 17-CV-05383-HSG, 2018 WL 3932434, at *1 (N.D. Cal. Aug. 16, 2018) (motion to dismiss); *TMI Sols. LLC*,

prolong meritless lawsuits and embolden plaintiffs to file more.

The Patent Office has also responded to the decision, revising the guidance on patent eligibility that it provides to examiners based on *Berkheimer*.¹³ This new guidance requires examiners to find outside evidence to support a finding of conventionality and thus a rejection for ineligibility. *See id.* at 3. And it goes even further, allowing examiners to reject ineligible applications “**only** when [they] can readily conclude that the element(s) is widely prevalent or in common use in the relevant industry.” *Id.* (emphasis in original).

This rigid standard effectively precludes patent examiners from rejecting claims as ineligible as a matter of law, including by comparing claims to those addressed in judicial precedents, as this Court did in *Alice*. That makes it far too hard for patent examiners with technical expertise to reject ineligible applications, and will only ensure that examiners continue to grant patents that are ineligible under *Alice*.

v. Bath & Body Works Direct, Inc., No. 17-CV-965-LPS-CJB, 2018 WL 4660370, at *4 (D. Del. Sept. 28, 2018) (motion to dismiss); *Search & Soc. Media Partners, LLC v. Facebook, Inc.*, No. 17-CV-1120-LPS-CJB, 2018 WL 4674572, at *3 (D. Del. Sept. 28, 2018) (motion to dismiss).

13. *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).

As this Court is aware, the Patent Office already grants far too many patents that should not issue.¹⁴ These errors disproportionately affect the software industry because the Patent Office grants so many software-related patents. Since this Court’s 2012 *Mayo* decision, more than half of the annual total of issued U.S. utility patents have been software-related.¹⁵ Patent examiners should be examining software-related applications to ensure they supply the inventive concept that *Alice* requires, but the Office’s post-*Berkheimer* guidance ensures that will not even be a consideration. If patent examiners cannot apply *Alice* to reject ineligible applications, the need for district courts to reject ineligible patents as a matter of law will only become more pressing.

B. Early Resolution of Patent Eligibility Promotes Innovation by Protecting Independent Developers and Small Business Owners from Meritless Lawsuits.

Empowering district courts to resolve patent eligibility as a matter of law is critical to ensuring that the patent

14. See Shawn P. Miller, *Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. J.L. & Tech. 1, 26 (2013) (finding that certain categories of patents, such as software business method patents, were more likely to be at least partially invalidated than found valid if challenged); see also Transcript of Oral Argument at 14:10-12, *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016) (No. 15-446) (“[T]he Patent Office has been issuing billions of patents that shouldn’t have been issued—I overstate—but only some.” (Breyer, J.)).

15. Raymond Millien, *Alice Who? Over Half the U.S. Utility Patents Issued Annually are Software Related!*, IP Watchdog (May 21, 2017), <https://www.ipwatchdog.com/2017/05/21/alice-over-half-u-s-utility-patents-issued-annually-software/id=83367/>.

system promotes more innovation than it deters. While this is true for innovation as a whole, *amici* are especially concerned about the effects *Berkheimer* will have on innovation that comes from independent developers and small businesses. These individuals and companies make valuable contributions to technology and the economy, but without deep pockets, they are particularly vulnerable to abusive patent litigation threats.

The costs of discovery and trial in patent cases are so overwhelming that even those wrongly accused of infringement may end up going out of business before they have a chance at a resolution on the merits. Even in cases where less than \$1 million is at stake, it can cost \$600,000 or more to try to litigate a patent case through trial.¹⁶ Given these considerable costs, there is a significant efficiency benefit when courts are able to decide the threshold question of patent eligibility as matter of law without a trial.

EFF and its community know firsthand the difference *Alice* has made to real people who have found themselves sued for infringing ineligible patents on abstract ideas. Just ask David Bloom, who in 2011 started a company called Ordrx to develop ecommerce solutions for local businesses.¹⁷ But about a year after Ordrx's promising

16. See American Intellectual Property Law Association, *2015 Report of the Economic Survey* (June 2015), <http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf>.

17. See *Saved By Alice*, Electronic Frontier Foundation, <https://www.eff.org/alice>; David Bloom, *Why this Google-backed Brooklynite says Congress could have saved his business*, N.Y. Bus. J. (Aug.10 2015), <https://www.bizjournals.com/newyork/>

launch, it was hit with a patent suit over broadly-drawn patents covering practically any computer-implemented method of creating and transmitting restaurant menus. David wanted to defend his company and the software platforms they had developed, so he decided to fight the charges instead of settling.

Unfortunately, David soon learned how expensive patent litigation can be, spending over \$100,000 on legal fees during the early stages of discovery alone. Over the two years when litigation was most active, Ordrx spent as much on lawyers working on the patent case as it did on salaries for the rest of its employees. Despite its effort Ordrx's growth stalled as litigation costs continued to mount, and David eventually had to give up on Ordrx, and tell its 40 employees to look for new jobs.

We know *Alice* could have made a difference to David and his company if the decision had become law just a few years sooner. The Federal Circuit made that clear when it held claims from two of the patents asserted against him ineligible under *Alice* in *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1243 (Fed. Cir. 2016). If *Alice* had been the law when Ordrx was sued, the company could have responded with a motion to dismiss as a matter of law. Having a pathway to early resolution under *Alice* would have saved David from wasting capital he needed to invest in his business on the cost of fighting allegations that ultimately had no merit.

While *Alice* came too late to save David, it arrived in time to save numerous others. For example, *Alice* came in

[news/2015/08/10/david-bloom-ordrx-google-ventures-patent-troll.html](https://www.bloom.com/news/2015/08/10/david-bloom-ordrx-google-ventures-patent-troll.html), Aug. 10, 2015.

time to save the company called MyVitalz that a Vietnam veteran, Justus Decher, founded.¹⁸ Justus started the company to build cutting-edge telemonitoring products to help doctors remotely monitor patients from their homes instead of at hospitals.

After being named as one of eleven finalists in a U.S. Department of Veterans Affairs' competition to find new ideas and services in telehealth, MyVitalz received a letter demanding payment for the use of technology supposedly covered by broad patent on computer-implemented telehealth measures. Luckily, a court recommended that the patent asserted against them be invalidated under *Alice v. CLS Bank* in a separate case before a lawsuit was ever filed against Justus or MyVitalz. Three months after that ruling, MyVitalz partnered with the Nebraska Hospital Association, giving “[t]housands of patients at dozens of hospitals across the state of Nebraska . . . the opportunity to use cutting-edge technology to monitor their health in near real time, providing patient empowerment and critical cost reduction for health care providers.”¹⁹ Thanks to *Alice*, Justus could focus on building technology to help people get better health care instead of mounting a litigation defense or operating with the shadow of liability overhead.

Alice has also dramatically hastened the resolution of patent cases that are filed, as it did for amateur

18. *Alice Saves Medical Startup From Death By Telehealth Patent*, Electronic Frontier Foundation, <https://www.eff.org/alice/alice-saves-medical-startup-death-telehealth-patent>.

19. Kristi Andersen and Kim Larson, *NHA Services Announces New Preferred Business Partnership for Telemonitoring Solutions with MyVitalz™*, PR Web (Oct. 24, 2017), <https://www.prweb.com/releases/2017/10/prweb14831295.htm>.

photographer Ruth Taylor.²⁰ Ruth runs a website, Bytephoto.com, featuring weekly photo contests where users vote on each other's submissions. After years of operating the site, Ruth was shocked to find herself sued for patent infringement, according to the patent owner's allegations, simply for allowing users to vote in an online contest. Despite the simplicity of that supposed invention, the opening settlement demand was \$50,000—far more than Ruth could afford.

Adding insult to injury was the fact that Ruth had been running online photo contests for years before the patent owner even filed its patent application. Even though this prior use would have rendered the patent invalid as anticipated or obviousness, proving these defenses in court would have taken months of expensive discovery and trial. Ruth found herself facing the same choice so many wrongly accused defendants do: whether to pay to settle meritless claims or pay even more in lawyers' bills in the hopes of winning a resolution on the merits before litigation costs become unbearable.

Luckily, this Court's *Alice* decision came in time to save Ruth from having to make either untenable choice. She was able to file a motion to dismiss, arguing the patent was ineligible under *Alice* as a matter of law, and in response, the patent owner voluntarily dropped its suit

20. *Photographer Attacked by Ludicrous Online Voting Patent*, Electronic Frontier Foundation, <https://www.eff.org/alice/photographer-attacked-ludicrous-online-voting-patent>; Tiffany Mueller, *Patent Law Fails Again: Amateur Photographer Sued For Holding Online Photo Competitions*, DIY Photography (Feb. 22, 2015), <https://www.diyphotography.net/patent-law-fails-again-amateur-photographer-sued-for-holding-online-photo-competitions/>.

before the hearing on that motion even took place. *Alice* gave Ruth a pathway to an early resolution of the case on the merits, and that was enough to deter the patent owner from pursuing claims that might have produced an invalidity judgment.

Ruth's case exemplifies how *Alice* promotes innovation and creativity while enhancing the efficiency and fairness of patent litigation. Like Justus' example, Ruth's also shows that the benefits of *Alice* go beyond the number of judicial decisions applying it. The clarity of this Court's guidance in *Alice* has helped prevent meritless cases from being filed and pursued through trial. That has saved litigants and courts alike from wasting time, money, and effort.

Early resolution of patent eligibility is not simply a matter of fairness for individual defendants; it is essential for the patent system to serve its constitutionally-appointed goal of encouraging rather than deterring technological and economic advancement. Indeed, research conducted since *Alice* confirms the decision has spurred more investment on software innovation and less investment on patent litigation.²¹ By allowing more investment to flow

21. See Sridhar Srinivasan, *Patents v. Innovation: Evidence from Public Firms*, (May 26, 2018) (manuscript at 2), <https://ssrn.com/abstract=3185148> (concluding that “a more permissive patent system encourages . . . destructive patent portfolio races to an extent where such races divert the firm’s resources away from innovation and towards accumulating a large portfolio of non-novel patents”); Malathi Nayak, *Cost of Patent Infringement Litigation Falling Sharply*, Bloomberg News (Aug. 10, 2017), <https://www.bna.com/cost-patent-infringement-n73014463011/> (“The median overall cost for a patent infringement case with \$1 million to \$10 million at stake

to research and development rather than litigation costs, *Alice* has encouraged innovation and economic growth, especially in the software industry.

But these benefits will not last if *Berkheimer* continues to prevent courts and examiners from resolving patent eligibility as a matter of law under *Alice*. Only this Court can ensure such resolution remains possible, and with it, the patent system’s ability to promote innovation and economic growth. The Constitution requires no less.

declined 47 percent from 2015 to \$1.7 million in 2017,” and “[i]n cases with below \$1 million at stake, the median cost fell 27 percent from 2015 to \$800,000 in 2017.”).

CONCLUSION

For the foregoing reasons, this Court should grant certiorari, and reverse the Federal Circuit's decision in *Berkheimer*.

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