

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 FOR *AMICI CURIAE*
T-MOBILE USA, INC.,
AND SPRINT SPECTRUM L.P.
IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE*¹

Amici are major technology companies that collectively provide hundreds of millions of American customers with two of the nation's four largest wireless networks. They hold many patents themselves but also are sued frequently in lawsuits asserting patents that are drawn to abstract ideas without contributing any inventive concept, and thus are ineligible under 35 U.S.C. § 101. A long line of Supreme Court precedents culminating in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), resolves patent-eligibility as a matter of law on pretrial motions, as befits a "threshold" inquiry. *Bilski v. Kappos*, 561 U.S. 593, 602 (2010). Here, however, the Federal Circuit changed the law nationwide by yoking patent-eligibility to easily disputed questions of fact. *Amici* support the petition for certiorari because the Federal Circuit's ruling threatens to upend § 101 and eliminate a badly needed pretrial screening tool for ineligible patents. If the Federal Circuit's improper fact-intensive eligibility test is not corrected, innovators like *amici* will have to spend enormous sums on jury trials in lawsuits asserting patents that should have been held ineligible early on.

¹ No counsel for any party has authored this brief in whole or in part, and no person other than *amici* or their counsel have made any monetary contribution intended to fund the preparation or submission of this brief. Both parties have given blanket consent to the filing of timely briefs for *amici curiae*.

SUMMARY OF ARGUMENT

Since before the Civil War, “[l]aws of nature, natural phenomena, and abstract ideas” have been held not patentable under 35 U.S.C. § 101 and its predecessors. *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66, 70-71 (2012). The Court decides whether patent claims are eligible in a two-step framework. First, “we determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Alice*, 134 S. Ct. at 1255. If so, the Court asks whether the other elements of each claim contain a sufficient “inventive concept” to “transform the nature of the claim” into something patent-eligible. *Id.*; *Mayo*, 566 U.S. at 72-73, 78.

Rather than evaluating the asserted claims’ “inventive concept” as a question of law like *Alice* and *Mayo* did, the Federal Circuit held that patent-eligibility turns on a *factual* question: “whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field.” App. 14. For these four reasons, this Court should grant certiorari and clarify that the threshold matter of patent-eligibility is a question of law for courts, not a question of fact for juries based on the prior art:

I. First, the Federal Circuit created a conflict with this Court’s patent-eligibility precedent. In each of its prior decisions, this Court *itself* evaluated the eligibility of the asserted claims as a pretrial question of law. The Federal Circuit’s holding that eligibility turns on factual determinations about the prior art implies the opposite: that deciding eligibility in

pretrial motions should be the exception rather than the rule.

II. Second, the Federal Circuit erred by analogizing patent-eligibility to fact-based invalidity defenses. Unlike invalidity, eligibility determinations require only consulting the language of the claims in the patent itself, not facts about the outside world. This Court's precedent, including in the analogous area of claim construction, makes clear that determining the legal effect of language within the four corners of the patent is a question of law. And this Court has insisted repeatedly that eligibility should not be confused with the distinct questions of invalidity.

III. Third, the Federal Circuit violated this Court's admonition not to reduce eligibility to a matter of the patent draftsman's art. If conclusory assertions of non-routineness or unconventionality in the specification (or in an expert report) suffice to defeat summary judgment (as the Federal Circuit held here), then a competent draftsman could ward off pretrial dismissal in many or most cases—including in *Alice*, *Mayo*, and other decisions of this Court.

IV. Last, the Federal Circuit's overturning of § 101 doctrine is extremely important to frequent targets of infringement allegations like *amici*. Under this Court's precedent, *amici* and others have successfully defeated cases asserting ineligible patents in pretrial motions. But under the Federal Circuit's new rule, these same defendants will often endure prolonged discovery and trials because of the ease of creating factual disputes. Those litigation costs—or the inflated settlement costs necessary to

avoid them—will be an unfair and unproductive tax on innovation. The Court should grant certiorari now because the Federal Circuit has decided this critical issue for the entire nation—incorrectly, and with unacceptable consequences.

ARGUMENT

I. The Federal Circuit flouted this Court’s precedent by injecting questions of fact into the patent-eligibility determination.

The Federal Circuit held that patent-eligibility turns on “whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field”—a “question of fact.” App. 12. This Court’s review is necessary to undo that contradiction of *Alice*, *Mayo*, and many other decisions of this Court analyzing patent-eligibility as a question of law for courts to resolve.

In *Alice*, this Court described patent-eligibility analysis as a question of law for courts. In the first step, the Court announced, “*we determine* whether the claims at issue are directed to one of those patent-ineligible concepts.” 134 S. Ct. at 2355 (emphasis added). At the second step, “*we then ask* ‘[w]hat else is there in the claims before us’ . . . to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 77-78) (first alteration in original) (emphasis added). *Alice* described that second step “as a search for an ‘inventive concept’” that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Id.* (quoting *Mayo*, 566

U.S. at 72-73 (alteration in original)). The Court itself is responsible for ensuring that the claims do not “disproportionately t[ie] up the use of the underlying [ineligible concepts],” *id.* at 2354 (quoting *Mayo*, 566 U.S. at 73), so “*we must distinguish* between patents that claim the ‘building block[s]’ of human ingenuity and those that integrate the building blocks into something more.” *Id.* (citing *Mayo*, 566 U.S. at 89, 68) (emphasis added).

The Court applied that test in *Alice* as a pretrial question of law without a hint that there are underlying factual issues. At step one, the Court announced, “*We conclude*” that the claims relating to a computerized financial clearing house “are drawn to the abstract idea of intermediated settlement.” *Id.* at 2355 (emphasis added). At step two, the Court again held, “*We conclude*” that the claims “fail to transform that abstract idea into a patent-eligible invention.” *Id.* at 2357 (emphasis added). The Court thus affirmed summary judgment of ineligibility. *Id.* at 2360.

In *Mayo*, the Court likewise analyzed patent-eligibility as a question of law: “*We must determine* whether the claimed processes have transformed these unpatentable natural laws into patent-eligible applications of those laws. *We conclude* that they have not done so.” 566 U.S. at 72 (emphases added). In particular, the Court asked “do the patent claims add *enough* to [the natural law] to allow the process they described to qualify as patent-eligible processes that *apply* natural laws? *We believe* that the answer to this question is no.” *Id.* at 77 (third emphasis added). Patent-eligibility was a question of law in the

Court's earlier decisions as well.² The Federal Circuit's holding below veered away from that consistent practice.

II. The Federal Circuit erred in analogizing patent-eligibility analysis to invalidity defenses rather than to intrinsic-record claim construction principles.

The Federal Circuit reached the wrong conclusion (patent-eligibility depends on factual questions) because it used the wrong analogy (patent-eligibility is like a fact-based invalidity defense). Patent-eligibility is not akin to defenses like anticipation and obviousness. It rests instead on claim interpretation principles akin to claim construction based on the intrinsic record. And this Court has held that when claim interpretation is based on the claims and specification without reliance on extrinsic evidence,

² See *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 not patentable processes because they are attempts to patent abstract ideas.”); *Diamond v. Diehr*, 450 U.S. 175, 192-93 (1981) (concluding that claims were eligible because “we do not view [them] as an attempt to patent a mathematical formula”); *Parker v. Flook*, 437 U.S. 584, 594-95 (1978) (determining that “respondent’s application contains no claim of patentable invention”); *Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972) (holding claims involving an algorithm for converting binary-coded decimal numbers into binary form ineligible as “in practical effect . . . a patent on the algorithm itself”).

that interpretation is a question of law for the court. *See Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015). The same is true for the claim-based patent-eligibility inquiry. And the Federal Circuit’s reliance on invalidity principles ignores this Court’s repeated warning not to confuse eligibility and invalidity.

A. Eligibility analysis focuses on the legal interpretation of patent claims, not on the historical facts used in anticipation and obviousness defenses.

The Federal Circuit got off-track by analogizing patent-eligibility to the statutory invalidity defenses. *See* App. 15 (reasoning that inventiveness overlaps “with other fact-intensive inquiries like novelty under § 102”); App. 14 (asserting that eligibility depends on “underlying facts” as do the validity requirements of enablement and obviousness). The author of the panel opinion made this analogy explicit: “[I]t is not surprising that [eligibility] may contain underlying issues of fact” because “[e]very other type of validity challenge is either entirely factual . . . , a question of law with underlying facts . . . , or a question of law that may contain underlying facts.” App. 89 (Moore, J., concurring in denial of rehearing). So it is no surprise that the Federal Circuit’s new eligibility analysis imports extrinsic factual questions (“[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent”) that are more appropriate to sections 102, 103, and 112. App. 16; *see also* App. 14 (describing those facts as “pertinent to the invalidity conclusion” (emphasis added)). The Federal Circuit essentially tossed this Court’s legal “inventiveness” test (whether

the claims “ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself,” *Alice*, 134 S. Ct. at 2355 (alteration in original) (citation omitted), in favor of a factual “routineness” test that will fail to screen many uninventive patents.

Using the invalidity analogy was error because patent-eligibility focuses on the claims *in the patent*, not on facts *about the outside world*. See App. 112 (Reyna, J., dissenting from denial of rehearing) (observing that the Federal Circuit has “remove[d] the inventive concept inquiry from the claims and the specification, and instead place[d] it firmly in the realm of extrinsic evidence”). The patent-eligibility inquiry fundamentally asks “what type of discovery is sought to be patented.” *Flook*, 437 U.S. at 593. The answer “rests upon an examination of the particular *claims* before [the court].” *Mayo*, 566 U.S. at 72 (emphasis added). In particular, eligibility turns on “whether the *claims* at issue are directed” to an abstract idea and whether there is an inventive concept “in the *claims*.” *Alice*, 134 S. Ct. at 2355 (emphases added). Thus, courts must “consider *the elements of each claim* both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* at 2355 (emphasis added) (citation omitted).

Because patent-eligibility concerns the claims but *not* prior art or other external facts, intrinsic-record claim construction principles dictate that it is a pure question of law. *Teva* addressed this same question in the context of claim construction. The Court held that “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.” 135 S. Ct. at 841. Because patent-eligibility analysis concerns only the intrinsic evidence of the claims themselves, there too “the judge’s determination will amount solely to a determination of law.” *Id.*; see also App. 117 (Reyna, J., dissenting from denial of rehearing) (Because “[a] § 101 patent eligibility determination can be resolved without the need to look beyond the four corners of the patent,” the “analysis becomes solely a question of law for the court to properly decide.”).

B. The Federal Circuit violated this Court’s admonition not to confuse eligibility analysis with invalidity defenses.

The Federal Circuit’s linkage of patent-eligibility to invalidity was also wrong because this Court has repeatedly distinguished patent eligibility from those fact-based invalidity defenses. In *Diehr*, for example, the Court carefully distinguished between eligibility and novelty under § 102: “The ‘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.” 450 U.S. at 188-89; *id.* at 190 (“[W]hether a particular invention is novel is ‘wholly apart from whether the invention falls into a category of statutory subject matter.’” (citation omitted)).

Flook drew the same distinction between eligibility and the § 103 obviousness defense: “Whether or not respondent’s formula can be characterized as

‘obvious,’” his “claim for an improved method of calculation, even when tied to a specific end use, is unpatentable subject matter under § 101.” 437 U.S. at 595 n.18. That is because the patent-eligibility inquiry “does not involve the familiar issues of novelty and obviousness that routinely arise under §§ 102 and 103 when the validity of a patent is challenged.” *Id.* at 588.

And in *Mayo*, the Court forcefully denied that the novelty, non-obviousness, and definiteness/enableness (§ 112) requirements can perform the screening function of eligibility under § 101. Even if those invalidity inquiries may overlap with eligibility “in evaluating the significance of additional steps,” 566 U.S. at 90, eligibility analysis has a fundamentally different focus: Whether an ineligible concept “that meets these [validity] conditions will nonetheless create the kind of risk that underlies [the exception for ineligible concepts], namely, the risk that a patent on the law would significantly impede future innovation.” *Id.* at 90-91. The Court thus declined “to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101.” *Id.* at 91. Yet the Federal Circuit substituted the factual questions appropriate to those invalidity defenses for the traditional eligibility question of law.

III. The Federal Circuit’s reduction of patent eligibility to a function of the draftsman’s art would eviscerate this Court’s eligibility holdings.

The practical effect of the Federal Circuit’s holding is to reward specifications larded up with assertions that the patent includes something inventive, non-

routine or unconventional. The panel below, for example, refused summary judgment because the specification described “an inventive feature that stores parsed data in a purportedly unconventional manner.” App. 18; *see* App. 17 (specification asserting that “system operating efficiency will be improved” and “storage costs will be reduced”).³ That approach ignores this Court’s “warn[ing] . . . against interpreting § 101 in ways that make patent eligibility depend simply on the draftsman’s art.” *Alice*, 134 S. Ct. at 2360 (second alteration on original); *see also Flook*, 437 U.S. at 590 (“The concept of patentable subject matter under § 101 is not like a nose of wax which may be turned and twisted in any direction.”).

The Federal Circuit’s reduction of § 101 to a matter of the draftsman’s art implies that this Court’s patent-eligibility cases were either wrong or toothless. As the petition for certiorari shows, the *Alice* and *Mayo* patents would have survived summary judgment under the Federal Circuit’s test because of those specifications’ assertions of inventiveness. Petition at 22-23.

The same is true for other claims this Court rejected as ineligible, which would present jury questions under the Federal Circuit’s ruling with only a self-congratulatory tweak to the specification. The claimed process for converting binary-coded decimals into pure binary form in *Benson*, for example, might

³ In *Aatrix Software, Inc. v. Green Shades Software, Inc.*, the Federal Circuit held that similar assertions in the specification or even in a lawyer-drafted complaint suffice to defeat a Rule 12 motion. 882 F.3d 1121, 1126-27 (Fed. Cir. 2018).

survive summary judgment if the specification touted that the “the efficiency of digital computers will be improved.” *See* 409 U.S. at 67. And the method for updating alarm limits in *Flook* would present a factual question under the *Berkheimer* test if only the specification asserted that the method for varying alarm limits was “unconventional” and that “the safety and efficiency of catalytic conversion will be improved.” *See* 437 U.S. at 585-86. Those conclusory assertions would become a matter of course in patent drafting, ignored by only the heedless and the uninformed. Thus, the Federal Circuit would reduce this Court’s patent-eligibility precedent to a paper shield that poses little barrier to a “competent draftsman.” *Id.* at 590.

IV. Abandoning the *Alice* regime’s much-needed efficiency in dispatching ineligible patents would create an unfair tax on innovation.

Unless this Court grants review, the Federal Circuit’s form-over-substance approach will multiply the costs of defending against ineligible patents by preventing district courts from clearing out many suits asserting low-quality patents before they reach discovery or trial.

The economics of asserting ineligible patents is no secret: “The scourge of meritless infringement claims has continued unabated for decades due, in no small measure, to the ease of asserting such claims and the enormous sums required to defend against them.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 719 & 722 n.2 (Fed. Cir. 2014) (Mayer, J., concurring). In the last five years alone, these two *amici* have litigated patent-eligibility in more than a dozen lawsuits for

the alleged infringement of at least forty patents, including:

- *Intellectual Ventures II LLC v. Sprint Spectrum L.P. et al.*, No. 2:17-cv-662-JRG-RSP; *Intellectual Ventures II LLC v. T-Mobile USA, Inc. et al.*, No. 2:17-cv-661-JRG-RSP (E.D. Tex. Sept. 24, 2018) (granting in part and denying in part motions to dismiss under § 101);
- *Intellectual Ventures I LLC et al. v. T-Mobile USA, Inc. et al.*, No. 1:13-cv-1632-LPS; *Intellectual Ventures II LLC et al. v. T-Mobile USA, Inc. et al.*, No. 1:13-cv-1633-LPS; *Intellectual Ventures I LLC v. Nextel Operations Inc. et al.*, No. 1:13-cv-1634-LPS; *Intellectual Ventures II LLC v. Nextel Operations Inc. et al.*, No. 1:13-cv-1635-LPS (D. Del.) (holding six patents ineligible in separate opinions granting motions for judgment on the pleadings and for summary judgment), *on appeal*, No. 17-2601 (Fed. Cir.);
- *Reese v. T-Mobile USA, Inc.*, No. 2:13-cv-05199-ODW-PLA, Dkt. 67 (C.D. Cal. Apr. 9, 2018) (granting summary judgment of ineligibility), *on appeal*, No. 18-1971 (Fed. Cir.);
- *Preferential Networks IP, LLC v. Sprint Spectrum L.P., et al.*, No. 2:17-cv-197-JRG-RSP, Dkt. 40 (E.D. Tex. Sept. 6, 2017) (adopting report and recommendation denying motion to dismiss under § 101);
- *Prism Technologies LLC v. T-Mobile USA, Inc.*, 696 F. App'x 1014 (Fed. Cir. 2017) (reversing

the denial of Defendant’s post-trial motion for judgment as a matter of law of ineligibility);

- *Novo Transforma Technologies, LLC v. Sprint Spectrum L.P., et al.*, No. 1:14-cv-612-RGA; *Novo Transforma Technologies, LLC v. T-Mobile US, Inc.*, No. 1:14-cv-613-RGA (D. Del. Sept. 2, 2015) (granting Defendants’ motion for judgment on the pleadings of ineligibility), *aff’d*, 669 F. App’x 555 (Fed. Cir. 2016);
- *Gammino v. American Telephone & Telegraph Co., et al.*, No. 1:12-cv-666-LPS, Dkt. 180 (D. Del. Sept. 8, 2015) (granting Defendants’ motions for judgment on the pleadings of ineligibility);
- *Phoenix Licensing, L.L.C. v. Sprint Spectrum L.P.*, No. 2:13-cv-1097-JRG-RSP (E.D. Tex.) (§ 101 motion pending at time of dismissal with prejudice); and
- *Comcast IP Holdings I, LLC v. Sprint Communications Co. L.P., et al.*, No. 1:12-cv-205-RGA, Dkt. 292 (D. Del. July 16, 2014) (granting motion for partial summary judgment of ineligibility).

Patent-eligibility is widely litigated by others too: The Federal Circuit itself has heard at least three dozen total § 101 appeals during that time.

This Court’s patent-eligibility rulings have been essential for creating a successful screen against low-quality patents. “Addressing section 101 at the threshold”—as *Alice* and this Court’s precedents encourage by treating patent-eligibility as a pure

question of law—“will thwart attempts . . . to extract ‘nuisance value’ settlements from accused infringers.” *Ultramercial*, 772 F.3d at 719 (Mayer, J., concurring).⁴ Unsurprisingly, the decline in patent infringement lawsuits “has been especially noticeable since *Alice* (the third quarter of 2014).” James Bessen, *What the Courts did to Curb Patent Trolling—For Now*, *The Atlantic* (Dec. 1, 2014), available at <https://goo.gl/GhjbaM>; see also Josh Landau, *IPR And Alice Appear Responsible for Reduced Patent Litigation Costs*, *Patent Progress* (Oct. 18, 2018), available at <https://goo.gl/SH54uM> (noting a similarly steep drop in patent litigation costs after *Alice*). Without the safeguard of this Court’s legal “inventiveness” test, even more patent-assertion entities might have tried their luck against *amici* and other innovators by asserting ineligible patents.

Yet the Federal Circuit’s ruling would march backward to a time when patent-assertion entities could force defendants to incur millions of dollars defending a suit asserting ineligible patents. See, e.g., Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 *Stan. Tech. L. Rev.* 1, 22-24 & n.62 (2017). Defendants facing these burdens may elect to settle rather than try the case—even when the patents are ineligible. See *id.* at 24; J. Jonas

⁴ See also App. 113 (Reyna, J., dissenting from denial of rehearing) (“[A]lthough the § 101 inquiry has often been described as a ‘threshold’ issue, capable of early resolution, transforming the predominately legal inquiry into a factual dispute almost guarantees that § 101 will rarely be resolved early in the case, and will instead be carried through to trial.”).

Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 655-56 (2015). The result would be a tax on successful, innovative, practicing companies—and on the great value they deliver to customers, employees, and the nation’s economy. *See* Executive Office of the President, *Patent Assertion and U.S. Innovation* 6, 9-12 (2013). The panel decision thus undermines the critical benefits of the threshold eligibility inquiry: “provid[ing] a bulwark against vexatious infringement suits” and “weeding out those patents that stifle innovation and transgress the public domain.” *Ultramercial*, 772 F.3d at 719 (Mayer, J., concurring).

CONCLUSION

The Court should grant certiorari, reaffirm that patent-eligibility is a question of law for courts to decide, and shore up this much-needed bulwark against abusive patent litigation.

Respectfully submitted,

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