

No. 18-415

IN THE
Supreme Court of the United States

HP INC., FKA 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 CHECK POINT SOFTWARE
TECHNOLOGIES, INC., RED HAT, INC., AND
CABLELABS AS *AMICI CURIAE* IN SUPPORT
OF PETITIONER**

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INTEREST OF *AMICI CURIAE*¹

Amici are Check Point Software Technologies, Inc., Red Hat, Inc., and CableLabs. They respectfully submit this brief to confirm the “enormous procedural and practical significance,” Pet. 26, of the question presented.

Check Point Software Technologies Inc. (“Check Point”) is a Delaware Corporation with its headquarters and principal place of business at 959 Skyway Road, Suite 300, San Carlos, CA 94070. Check Point is a leading provider of network security products and services.

Red Hat, Inc. (“Red Hat”) is the world’s leading provider of open source software solutions. It provides enterprise-strength, mission-critical software and services in the areas of operating systems, virtualization, middleware, storage, and cloud computing. Its products and services are used by more than 90 percent of Fortune 500 companies. It is headquartered in Raleigh, North Carolina, and has more than 85 offices in 35 countries.

CableLabs is a non-profit non-stock company qualified under the National Cooperative Research and Production Act. CableLabs has over 60 member companies world-wide, including members who represent approximately 85% of U.S. cable subscribers. The

¹ The parties have consented to the filing of this *amicus* brief. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than *amici* and their counsel made a monetary contribution intended to fund the preparation or submission of the brief.

cable industry supports over 2.9 million jobs, and contributes \$421 billion to the U.S. economy.

Due to their success, amici find themselves attractive and frequent targets of patent assertion entities—“entities that hold patents” not to practice them but “for the primary purpose of enforcing them against alleged infringers, often exacting outsized licensing fees on threat of litigation,” *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016).

Amici have a strong interest in the fair and efficient operation of the patent litigation system. Because the decision below directly threatens that interest, this Court should grant certiorari and reverse.

SUMMARY OF ARGUMENT

This Court’s ruling in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), made a significant improvement to the patent litigation system. *Alice* provided lower courts guidance on when to dismiss claims that are ineligible for protection under 35 U.S.C. § 101 and clarified that the § 101 analysis was an issue of law. District courts promptly followed this Court’s guidance: “[F]ederal courts invalidated patents on Section 101 grounds in 330 out of 488 decisions” following *Alice*. Pet. 26; *accord Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1354 (Fed. Cir. 2018) (Plager, J., concurring in part and dissenting in part). The Patent Trial and Appeal Board (PTAB) has been similarly proactive about policing § 101 in the wake of *Alice*: In exercising its power under Section 18 of the America Invents Act to review

the validity of issued patents, the PTAB “has invalidated patents on § 101 grounds in 90 out of 92 ... final written decisions.” *Id.*

Alice was particularly helpful in reducing the effectiveness of patent assertion entities. These entities often assert patents with broad and abstract claims, because such claims are easier to assert against numerous targets. Although patent assertion entities “overwhelmingly lose their cases,” they are often able to extract below-litigation-cost settlements before defendants succeed in invalidating the claims. See generally John R. Allison et al., *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 Geo. L.J. 677, 678-80 (2011). For this reason, rules that prolong litigation, and thus increase costs, make it easier for patent assertion entities to extract money from productive companies.

Just as district courts quickly followed *Alice*’s ruling to dismiss meritless patent suits, district courts are quickly invoking the Federal Circuit’s decision in this case to roll back the favorable consequences of this Court’s *Alice* ruling. In the decision below, the Federal Circuit held that patent eligibility creates a “fact question”—to be resolved only after discovery—every time the question of whether a claim element “is well-understood, routine, and conventional” is at issue in the case. Pet. App. 14-16; *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018). As one Federal Circuit judge observed in his dissent from denial of rehearing en banc, the decision below has already wrought a significant change in the U.S. patent-litigation landscape. “[D]istrict courts” across the country, he explained,

have “immediately started relying on [*Berkheimer* and *Aatrix*] to deny summary judgment motions.” Pet. App. 106-07 (Reyna, J., dissenting from denial of reh’g en banc) (citing *Vaporstream, Inc. v. Snap Inc.*, No. 2:17-cv-00220-MLH (KSx) 2018 WL 1116530, at *6 (C.D. Cal. Feb. 27, 2018); *Sycamore IP Holdings LLC v. AT&T Corp.*, 294 F. Supp. 3d 620, 653-55 (E.D. Tex. 2018) (Bryson, J., sitting by designation)).² As shown below, courts are doing the same with motions to dismiss, and in fact have gone so far as to suggest that because the Federal Circuit ruled that patent eligibility is now a fact question, it may be categorically inappropriate for resolution on a motion to dismiss. *See, e.g., Kroy IP Holdings, LLC v. Groupon, Inc.*, No. 17-1405-MN-SRF, 2018 WL 4905595 (D. Del.), *report and recommendation adopted*, 2018 WL 5724013 (D. Del. Nov. 1, 2018); *Guada Techs. LLC v. Vice Media, LLC*, No. 2:17-cv-00651, 2018 WL 4441460 (D. Del. Sept. 17, 2018). And because denials of motions to dismiss are interlocutory orders, and hence generally not appealable, such application of the Federal Circuit’s decision is not easily reviewed.

This brief illustrates and confirms the impact that the Federal Circuit’s rulings have already had on the patent litigation system—and the need for this Court’s prompt intervention. The longer the Federal Circuit’s decision in this case remains uncorrected,

² The same is true of the U.S. Patent and Trademark Office (USPTO), which, shortly after the decision below, issued a memorandum that “revise[d]” its patent examination procedure in light of *Berkheimer*. USPTO, Memorandum from Robert W. Bahr, Deputy Comm’r for Patent Examination Policy to Patent Examining Corps (Apr. 19, 2018), <https://tinyurl.com/ybayad95>.

the higher the unnecessary litigation costs will be for *amici* and similar companies.

ARGUMENT

I. Numerous District Courts Have Already Relied On *Berkheimer* To Extend Patent Litigation Against High-Tech Companies

Although the Federal Circuit handed down *Berkheimer* just nine months ago, it is already having a significant impact on patent litigation throughout the country. As illustrated below, in just that short time, it has already become regularly cited by district courts. And predictably, the Federal Circuit's conversion of patent eligibility from a legal question to a factual one has already led to numerous cases proceeding far longer than they should.

A. In several cases, district courts have suggested that after *Berkheimer*, the factual nature of the eligibility inquiry alone is reason to deny summary judgment or dismissal.

Kroy IP Holdings, LLC v. Groupon, Inc., No. 17-1405-MN-SRF, 2018 WL 4905595 (D. Del.), *report and recommendation adopted*, 2018 WL 5724013 (D. Del. Nov. 1, 2018), is perhaps the most egregious. In that case, the district court denied a motion to dismiss without pointing to *any* specific dispute of fact identified by the plaintiff. Rather, it simply cited *Berkheimer* and said that because “whether the asserted claims ... were conventional at the time of the patent” involved “questions of fact,” it would deny the motion. *Id.* at *16. The court then went even further,

suggesting that “evaluating the merits” of a claim of ineligibility “pursuant to 35 U.S.C. § 101” is not just a factual inquiry, but one that requires “expert testimony” to resolve. *Id.*

In *C R Bard, Inc. v. AngioDynamics Inc.*, No. 1:15CV218, 2018 WL 3130622 (D. Del. June 26, 2018), the court applied the same rationale—that § 101 disputes are inherently issues of fact—in the summary judgment context. At issue in that case were patents that claimed the idea of detecting locations on the human body suitable for “fluids to be injected ... via power injection.” *Id.* at *7. The parties cross-moved for summary judgment on eligibility under § 101, and the district court noted that, from those filings, it was apparent that the defendant “disagree[d] with all arguments by” the plaintiff. *See id.* at *10. The district court thus concluded—citing *Berkheimer*’s holding that “the *Alice* Step 2 inquiry ... presents a question of fact”—that the parties were “arguing over issues that are clearly factual in nature,” making summary judgment inappropriate. *Id.*

The court in *Guada Technologies LLC v. Vice Media, LLC*, No. 2:17-cv-00651, 2018 WL 4441460 (D. Del. Sept. 17, 2018), denied the defendant’s motion to dismiss for similar reasons. That case involved claims directed to the abstract concept of navigating a network of nodes using keywords. *Id.* at *5. The plaintiff claimed that “jumping” from one node to another using “keywords” was an inventive concept. *Id.* at *5-*6. The district court, citing *Berkheimer*, held that it was unable to determine whether that was actually so. *Id.* at *6 (“I cannot determine at this time whether ‘jumping’ and ‘keywords’ provide an inventive concept.”). In

the district court's view, that was "a factual issue," which remained an "open question," thus making dismissal inappropriate. *Id.* at *5-*6.

Likewise, in *Visual Effect Innovations, LLC v. Sony Electronics Inc.*, No. 17-1276-LPS, 2018 WL 4700225 (D. Del. Sept. 30, 2018), the district court relied on the factual nature of the eligibility inquiry to deny a motion to dismiss. It held that it "ha[d] no basis not to take" the patent holder's "representations [that the patent contained an inventive concept] as true at this stage." *Id.* at *5. When the defendant pointed out that none of the claims actually contained that inventive concept, the district court simply brushed that argument aside. What the claims include is a question of law; but "[w]hether a particular technology is well-understood, routine, and conventional ... is a question of fact." *Id.* at *4-*5. Accordingly, the court held that the "motion to dismiss d[id] not present an occasion" to examine whether the claims *actually* contained an inventive concept. *Id.* at *5. Because there was the possibility that it could "construe the claims ... to include an inventive concept," the district court determined that it had no choice but to deny the motion to dismiss. *Id.*

In *Uniloc USA, Inc. v. Samsung Electronics America, Inc.*, No. 2:17-cv-00651-JRG, 2018 WL 4927279 (E.D. Tex. Sept. 18, 2018), a well-known, high-volume patent assertion entity accused Samsung of violating a patent that claimed the idea of using a sensor "to detect and count steps" and to measure the "incline of a surface on which the user" stepped by "computing [the] difference between the vertical travel up portion and the vertical travel down portion of the step." *Id.*

at *2. Samsung moved to dismiss on the ground that the patent claimed nothing more than the abstract idea of counting an individual's steps and gauging the incline on which she walks based on how much higher each step ends from where it starts. *Id.* Indeed, the patent simply automates a simple mental process that any person could perform while walking up or down a flight of stairs.

The district court, however, refused to dismiss the complaint. It held—relying on *Berkheimer*—that whether the claim was “routine and conventional to a skilled artisan ... is a question of fact.” *Id.* at *2 (citing *Berkheimer*). And at the motion to dismiss stage, when confronted with a fact question, the court must “[d]raw[] all reasonable inferences in favor of” the plaintiff. *Id.* at *4.³ In other words, the plaintiff’s *ipse dixit* that it is novel to calculate an incline by looking at the displacement of the steps was *alone* enough to survive a motion to dismiss under § 101.

And Check Point itself is defending against a patent claim that is “directed to an abstract idea,” but for which the judge in a related case is “wait[ing] to have the benefit of the trial record before determining whether [the] [c]laim ... contains an inventive concept such that it is patent eligible.” Order Granting in Part Early Motion for Summary Judgment on ’494 Patent

³ Worse still, the *Uniloc* district court engaged in all of that analysis at Step One of the *Alice* analysis—even though *Berkheimer* itself held that only Step Two is a question of fact. Pet. App. 14a-16a. While the district court’s approach is thus plainly wrong, it is not surprising. By introducing the false notion that the § 101 inquiry turns at its core on questions of fact, the Federal Circuit invited just this kind of confusion by district courts.

at 18, 20, *Finjan, Inc. v. Juniper Network, Inc.*, No. C 17-05659 WHA (N.D. Cal. Aug. 24, 2018) (denying summary judgment that Claim 10 of U.S. Patent No. 8,677,494 is patent ineligible). *See also* Complaint at 49, *Finjan, Inc. v. Check Point Software Techs. Inc.*, No. 3:18-cv-02621 (N.D. Cal. May 3, 2018) (accusing Check Point’s products of infringing Claim 10 of U.S. Patent No. 8,677,494).

B. In several other cases, district courts have read *Berkheimer* as requiring them to conclusively defer to a patent holder’s assertion that a claim survives *Alice* Step Two, even when there is overwhelming evidence to the contrary.

In *TMI Solutions LLC v. Bath & Body Works Direct, Inc.*, Nos. 17-965-969, 2018 WL 4660370 (D. Del. Sept. 28, 2018), the court considered a patent that claimed the idea of using computers to store information on users that visit a website (i.e., cookies). Although the defendant provided ample evidence that that basic idea—assigning customers identification numbers that can be used (e.g., by a bank) to retrieve the customer’s account information—had been routinely practiced, the district court, citing *Berkheimer*, refused to consider it. *Id.* at *8 & n.6. Because the patent specification and complaint—the only “materials the [district c]ourt may consider at this stage”—alleged that the claimed idea was not routinely practiced, the court held that the suit must go forward. *Id.*

In *Symantec Corp. v. Zscaler, Inc.*, No. 17-cv-04426-JST, 2018 WL 3539269 (N.D. Cal. July 23, 2018), the court likewise denied a motion to dismiss

based solely on the plaintiff's assertion that its patent was novel. The patent there claimed the idea of running multiple security tests on a computer and sharing information between them. *Id.* at *2-*3. The patent's specification admitted that running multiple security tests was common, but claimed that sharing information between them was not. For the district court, that was enough to survive Step Two of the *Alice* analysis: Because *Berkheimer* held that "whether a claim element or combination of elements is well-understood, routine and conventional ... is a question of fact," the district court felt bound to accept as true "the patent's discussion of the novelty of ... information sharing." *Id.* at *3.

In *Pure Data Systems, LLC v. Ubisoft, Inc.*, No. 18-cv-00852-JCS, 2018 WL 3417530 (N.D. Cal. July 13, 2018), the court considered a patent that claimed the idea of a computer distributing updates to a database. The defendant presented evidence that the analog equivalent of distributing digital updates had been practiced for years—for instance, when a company distributes "pocket parts" to supplemental legal reference books" or "send[s] ... updated portions of its catalog to sales representative[s] in the field in preparation for meetings with clients." *Id.* at *10-*11. The court, however, said that it could consider such practices only if it could take judicial notice of them, which it could not do here since it "ha[d] no knowledge of any actual use of such a practice ... 'within this court's territorial jurisdiction.'" *Id.* at *11 (citing Fed. R. Evid. 201(b)(1)). The court then held that because the plaintiff "allege[d] that its purported invention" operates "in a non-conventional manner" and the defendant "has not presented cognizable sources showing that

allegation to be false,” it was obligated to deny the motion to dismiss. *Id.*

* * *

More examples of cases just like these abound—and keep coming. As long as the Federal Circuit’s decision below remains on the books, they will continue to proliferate.

II. Prompt Review Is Warranted

As just illustrated, the decision below is already having a sweeping impact on patent litigation, increasing the costs of defending meritless suits based on claims ineligible for patent protection. And those effects are growing quickly. Within a week of the Federal Circuit’s decision in *Berkheimer* in February 2018, commentators had already identified it as having worked a “*precedential sea-change*.” Dennis Crouch, *Eligibility Analysis and Its Underlying Facts: A Roadmap for Surviving Dismissal on the Pleadings*, PATENTLYO (Feb. 15, 2018), <https://tinyurl.com/ybjp27g7>. Just two months later, in mid-April 2018, the USPTO issued a memo revising its examination procedures in light of *Berkheimer*. USPTO, Memorandum from Robert W. Bahr, *supra*. By the end of May 2018, Judge Reyna had penned a vigorous dissent from denial of rehearing en banc, noting that—even then—the decision was already having an “exceptional” practical impact. Pet. App. 106 n.3 (Reyna, J., dissenting from denial of reh’g en banc). In mid-July, Judge Plager authored an opinion of his own calling for this Court to address § 101. *Interval Licensing LLC, v. AOL, Inc.*, 896 F.3d 1335, 1355

(Fed. Cir. 2018). All the while, the number of district courts citing *Berkheimer*—and thus the volume of lawsuits needlessly extended, litigation costs needlessly multiplied, and judicial resources needlessly consumed—continue to pile up.

The longer the decision below is allowed to stand, the more cases that will follow in the same pattern as those described above. And there is no reason to think that stream will recede. To the contrary, the last month alone has seen eight new district court decisions citing *Berkheimer* (and six citing *Aatrix*). The longer this Court waits to intervene, the more havoc the Federal Circuit’s decision will wreak on the patent litigation system. Some of the cases discussed above may go beyond a correct application of *Berkheimer*. But those errors only underscore the problem with the decision below: Denials of motions to dismiss or motions for summary judgment are not appealable. *Berkheimer* has thus created a regime where district courts may allow borderline (or worse) suits to proceed to trial. Said otherwise, those cases may assert claims obviously invalid under § 101, but more like them are certainly coming—and they cannot be easily corrected after the fact.

There is no reason to wait for the Federal Circuit to further consider the question presented. Eight out of the twelve judges on the en banc panel joined the three separate opinions issued on the question presented, and all have had the opportunity to do so.

The Federal Circuit’s decision departs from this Court’s guidance in *Alice* and rolls back much of the progress that decision made. The deleterious effects

of the decision below are already propagating—rapidly—through the district courts. The only remedy is for this Court to grant review and overrule the decision below.

CONCLUSION

For the foregoing reasons, the Court should grant the petition for writ of certiorari.

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