

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**

REPLY TO BRIEF IN OPPOSITION

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REPLY TO BRIEF IN OPPOSITION

The Federal Circuit’s decision dramatically changed the standard for patent eligibility under Section 101. In so doing, the Federal Circuit became the first court ever to reject summary judgment on the ground that disputed factual questions existed as to eligibility. The six amicus briefs supporting the petition (which respondent studiously ignores) attest to the importance of this case and the need for this Court’s immediate review. Despite valiant attempts, the brief in opposition cannot distract from these fundamental truths.

Respondent’s attacks on the framing of the question presented are mistaken. The Federal Circuit fundamentally transformed the second step of this Court’s *Alice/Mayo* standard, such that what was a question of law is now a question of historical fact. The question presented challenges both the substantive and procedural aspects of the decision below—as respondent ultimately concedes. Review is warranted given the importance of the issue, the demonstrable confusion engendered by the decision below, and the need for clarity concerning patent eligibility under Section 101. This case is an appropriate vehicle to resolve this important question, and further percolation will resolve nothing. Certiorari is warranted, and it is warranted now.



ARGUMENT

I. This Court Should Address the Standard for Patent Eligibility, a Crucially Important Question to the Patent System.

A. The Question Presented fairly encompasses both procedure and substance.

Respondent devotes much of the brief in opposition to criticizing the phrasing of the question presented, purporting to be unable to understand whether it concerns procedure or substance. See, *e.g.*, Br. 3–4, 22–25.

The question presented fairly encompasses both. *E.g.*, Pet. 26 (explaining that the Federal Circuit “appl[ie]d the wrong substantive standard” and as a result, “transform[ed] * * * Section 101 from a legal to a predominantly factual inquiry”). As respondent acknowledges, the procedural and substantive issues raised by the question presented are “deeply intertwined.” Br. 26 (quoting *U.S. Bank Nat’l ex rel. CWC Capital Asset Mgmt. LLC v. Village at Lakeridge, LLC*, 138 S. Ct. 960, 970 (2018) (Sotomayor, J., concurring)).

Under *Alice* and *Mayo*, evaluating patent eligibility requires comparing the claims against the underlying abstract idea, law of nature, or natural phenomena. This has always been understood—including by this Court—to be a question of law for the court to decide.

Under the first step of the inquiry, the court must ask whether the claims are “directed to [a] patent-ineligible concept?” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2357 (2014). If so, the second step

requires a court to ask whether the claims are an attempt to monopolize the concept itself or whether they instead “transfor[m] the [concept] into an inventive application” that “in practice amounts to significantly more than a patent upon the [concept] itself”? *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 73, 81 (2012).

The decision below replaced the second step of this Court’s standard with an altogether different inquiry: Do the claim limitations “involve more than performance of well understood, routine, and conventional activities previously known to the industry”? App. 14. The Federal Circuit then characterized this inquiry as a question of historical fact based on the state of the art at the time of the patent, as understood by a person of skill in the art—rendering patent eligibility often unsuitable for resolution on a motion to dismiss or at summary judgment.

To encompass both the substantive and procedural facets of the Federal Circuit’s errors, 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.

B. As the amici confirm, the importance of this question warrants review.

The importance of this question cannot be denied. The substantive limits of Section 101 prevent inventors from monopolizing the “building blocks of human

ingenuity.” *Alice*, 134 S. Ct. at 2354. By permitting inventors to monopolize abstract ideas or natural laws, the decision below will result in patents that hinder innovation rather than promote it.

Since *Alice*, patent eligibility has become a staple defense to patent infringement. “Early resolution of patent eligibility” under *Alice* has been “essential for the patent system to serve its constitutionally-appointed goal of encouraging rather than deterring technological and economic advancement.” Amicus Br. of Electronic Frontier Foundation and R Street Institute 22. By holding that patent eligibility turns on historical fact, the decision below adds delay, expense, and uncertainty to patent litigation. The fate of patents will now depend on a factfinder’s resolution of credibility determinations between dueling experts, with a defendant bearing the clear-and-convincing evidence burden.

Numerous other amici—who go unacknowledged by respondent—confirm the importance of the issue to a broad swath of the American economy. For example:

- “The decision in this case thus marks a sea change in § 101 jurisprudence, completely altering the established expectations and practices of courts, agencies, and parties. And the disruption will be significant.” Amicus Br. of Askeladden LLC 8–9.
- “[R]ules that prolong litigation, and thus increase costs, make it easier for patent assertion entities to extract money from productive companies.” Amicus Br. of

Check Point Software Technologies, Inc., Red Hat, Inc., and Cablelabs 3. “[T]he 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.” *Id.* at 11.

- Preventing early resolution of patent eligibility will “produc[e] significant negative impacts on the patent system as a whole and on innovation.” Amicus Br. of Comp. & Comm. Indus. Ass’n 2.
- “Startups rely on *Alice*: without the ability to escape abusive patent assertions early and cheaply, they must choose between wasting valuable resources on legally unnecessary licenses or spending far more on prolonged litigation.” Amicus Br. of Engine Advocacy 2.
- “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.” Amicus Br. of T-Mobile USA, Inc., and Sprint Spectrum L.P. 1.

Respondent neither answers the amici nor denies the importance of applying the correct standard for patent eligibility. In fact, respondent acknowledges (at 31) that the decision below will have immediate and significant impact on patent issuance as a result of the

Patent Office’s “*Berkheimer* Memorandum.”¹ Respondent suggests that the Patent Office has misread the decision below. Br. 31 (describing the memorandum as “the Patent Office’s gloss”). This argument proves petitioner’s point. If even the Patent Office cannot correctly understand the governing law, clarification by this Court is absolutely necessary.

Respondent’s answer (at 29–30) to the Federal Circuit judges calling for further review fares no better. While there may be differences among them, these judges agree that the decision below has thrown Section 101 jurisprudence into disarray and requires clarification. See Pet. 2–3.

II. Respondent’s Attempts to Defend the Decision Below Confirm the Need for Review.

Respondent makes no real attempt to grapple with this Court’s standard for patent eligibility. This Court has *always* decided patent eligibility as a matter of law, based “upon an examination of the particular claims before us in light of the Court’s precedents.” *Mayo*, 566 U.S. at 72. The decision below ignored this Court’s teachings, making eligibility turn instead on a question of fact based on the state of the art at the time of

¹ 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-berkheimer20180419.PDF> (Apr. 19, 2018).

the patent. Respondent’s attempts to defend that decision only confirm that review is urgently needed.

A. The decision below conflicts with this Court’s precedent.

1. Laws of nature, natural phenomena, and abstract ideas cannot be patented but “an *application* of [such an ineligible concept] may well be deserving of patent protection.” *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). When a patent is directed to an ineligible concept, this Court asks whether the claims “transform” that concept “into an inventive application,” *Mayo*, 566 U.S. at 81, that “in practice amounts to significantly more than a patent upon the [concept] itself,” *id.* at 73.

Respondent’s concerns that judges cannot decide “whether the claim is sufficiently ‘inventive’ to be patentable,” Br. 3–4, are makeweight. A number of legal principles have guided judges in conducting the patent-eligibility inquiry. For example, this Court has held that a patent claims ineligible subject matter where the patent “in practical effect” monopolizes all applications of the ineligible concept, *Gottschalk v. Benson*, 409 U.S. 63, 71–72 (1972); the patent “stat[es] an abstract idea while adding the words ‘apply it with a computer,’” *Alice*, 134 S. Ct. at 2358; or the patent simply “append[s] conventional steps, specified at a high level of generality,” *Mayo*, 566 U.S. at 82. Such claims do not “add *enough*” to an abstract principle to

qualify as an inventive application of that principle. *Id.* at 77.

For over a century, courts have conducted this inquiry as a matter of law because it depends solely on the relationship of the patent claims to the ineligible concept. In this case, for example, the specification makes clear that Berkheimer did not invent (and did not claim to invent) any computer hardware or software. As the district court explained, the claims—though “rife with technical terms”—“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.’” App. 46 (emphasis added). The only alleged invention is how the computer is used. But “merely requiring generic computer implementation fails to transform [an] abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2352.

2. Despite respondent’s suggestions to the contrary, Br. 19, 22, the Federal Circuit did not ask whether respondent’s claims added “significantly more” to the abstract idea of data parsing. *Mayo*, 566 U.S. at 73. It asked only “whether the claimed invention was well-understood, routine, and conventional” based on the prior art. App. 16. But nothing in *Alice* or *Mayo* makes eligibility turn on an analysis of prior art or makes *unconventional* claim elements automatically sufficient “to qualify as patent-eligible applications.” *Mayo*, 566 U.S. at 77.

The Federal Circuit’s approach thus cannot be reconciled with *Alice* and *Mayo*. Even when it is not “routine and conventional” to implement a particular abstract idea on a computer, doing so “cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2358. If all that is required for patent eligibility is an “unconventional” invention, then *Alice* and *Mayo* would have come out the other way. See Pet. 22–23.

The Federal Circuit also improperly conflated patent eligibility (under Section 101) with novelty and obviousness (under Sections 102 and 103) by making patent eligibility turn on whether the invention includes “routine and conventional” steps. Pet. 18. Respondent only proves this point in suggesting that patent ineligibility “turns on whether the steps * * * are novel.” Br. 18. This Court made clear in *Diehr* that “[t]he ‘novelty’ of any element or steps in a process * * * is of *no relevance* in determining” patent eligibility. 450 U.S. at 188–89 (emphasis added); see also *Parker v. Flook*, 437 U.S. 584, 584 (1978) (eligibility inquiry “does not involve the familiar issues of novelty and obviousness”).

Respondent makes no attempt to square the decision below with these teachings. *Diehr* is notably absent from the brief in opposition. The same is true of *Flook*. In one fell swoop, the Federal Circuit thus laid waste to this Court’s consistent and painstaking attempts to distinguish patent eligibility from novelty and non-obviousness.

3. None of respondent’s attempted rebuttals is persuasive. Respondent’s argument that patent eligibility turns on questions of historical fact assumes the correctness of the (erroneous) recharacterization of step two announced by the Federal Circuit. *E.g.*, Br. 11 (“Whether a claim limitation consists of ‘well-understood, routine, and conventional activity’ bears no resemblance to a question of law.”).

Respondent suggests that because claim construction involves subsidiary fact-finding, so too does patent eligibility. Br. 15 (discussing *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015)).

That is a non-sequitur. Claim construction involves *what* a patent claims, the metes and bounds of the monopoly secured by the patent. Eligibility entails legal classification of those claims: whether the subject matter they cover is eligible for patent protection.

Moreover, respondent’s analogy undermines the decision below. The Federal Circuit held that “fact questions [were] created by the specification’s disclosure,” App. 21—that is, by evidence *intrinsic* to the patent itself. Under *Teva*, the meaning of this intrinsic evidence should have “amount[ed] solely to a determination of law.” 135 S. Ct. at 841.

And to the extent that any determinations underpinning the Section 101 inquiry are termed “factual,” they would involve only legislative facts that cannot preclude summary judgment. See Amicus Br. of Askeladden LLC 5–7. Courts routinely cite legislative facts—such as medical treatises and common

knowledge that are not in the “record” of the case—without somehow creating a disputed issue of fact for trial. See, *e.g.*, *Alice*, 134 S. Ct. at 2356.

Respondent urges that “a pronoun is not a holding,” Br. 14, but respondent cannot deny the broader principle: This Court has never even implied—in *Alice*, *Mayo*, or any other decision—that patent eligibility involves questions of historical fact that may go to a jury. It instead held, “We [a court] must determine” the eligibility inquiry. *Mayo*, 566 U.S. at 72; see also *Alice*, 134 S. Ct. at 2357 (“we [the court] must examine the elements of the claim”).

Consequently, the clear-and-convincing evidentiary standard should not apply to determinations of patent eligibility, Pet. 14–15—a point respondent never addresses.

Respondent likewise errs in suggesting that patent-eligibility is indistinguishable from invalidity under Sections 102 and 103. Br. 16. This Court rejected that argument in *Mayo* as “not consistent with prior law.” 566 U.S. at 89. As *Diehr* explained, Section 101 “is a general statement of the *type* of subject matter that is eligible for patent protection,” while “[s]pecific *conditions* for patentability follow” in later sections. 450 U.S. at 189 (emphases added).

B. Patent-eligible subject matter cannot change over time.

Respondent embraces the most facially absurd result of the decision below: “[P]atent eligibility can vary in time.” Br. 20. That is, the same claims would be considered directed to patent-eligible *subject matter* at one point in time but directed to patent-ineligible subject matter if filed later. Pet. 19–21.

Respondent’s analysis conflates novelty with eligibility. Respondent correctly notes that “reciting a computer in a claim is not inventive, today,” but “would have been inventive at some point in the past.” Br. 20.

The example confirms respondent’s error. On the one hand, if a patent is directed to the invention of a computer (as opposed to merely “reciting a computer”), it may well cover subject matter that is eligible for patent protection. And if it is novel and non-obvious and otherwise meets the patentability requirements of the statute, the patent could be valid as well. On the other hand, if (as in *Alice* and the patent-in-suit) the patent merely claims to “implement an abstract idea on a generic computer,” it is not and never was eligible for patent protection. *Alice*, 134 S. Ct. at 2355. This subject matter, as a matter of law, is outside the scope of Section 101.

Respondent is correct: “It is perfectly intuitive that activities may be ‘routine’ and ‘conventional’ at a later time but not an earlier time.” Br. 20. Anticipation and obviousness reflect this changing state of the art.

Eligibility does not, and this truth confirms the error in the decision below.

III. This Court Should Grant Review Now, Without Further Percolation.

Review is warranted now. The longer this Court waits to intervene, the more “havoc” the decision below will wreak on the patent litigation system. Amicus Br. of Check Point Software Techs., Inc., Red Hat, Inc. and Cablelabs 12. In fact, respondent does not even dispute that the Federal Circuit is already fractured on how to apply the decision below. See Pet. 33–34; Br. 34.

Respondent suggests that “[m]ore percolation is necessary to determine the real-world effect of the decision below on patent litigation.” Br. 34. But the Federal Circuit has made its position clear, and it has made clear that the issue will not be reconsidered *en banc*. No other circuit will address the issue, and the status quo will not change. When respondent urges “percolation,” he truly urges denying review forever.

The vehicle issues argued by respondent are insubstantial, and the suggestion that there was a “litigation error” is false. Br. 28–29. In truth, petitioner has consistently argued to the district court and the Federal Circuit that the Section 101 inquiry is a pure question of law. The district court adopted these arguments. See App. 33 (“[Q]uestions of patent eligibility under § 101 * * * do not involve the resolution of any factual issues * * *”). Respondent’s opening brief below recognized this. See, *e.g.*, Br. of

Appellant 16 (recognizing that whether petitioner “merely maintained ‘[p]atent eligibility * * * is a question of law’”). What respondent now calls a “litigation error” was, in short, petitioner’s consistently maintaining the position that it now urges before this Court.

This case squarely presents the question of 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. As the amici confirm, this important issue urgently requires this Court’s attention.



CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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