

No. 19-43

---

In the  
**Supreme Court of the United States**

---

POWER ANALYTICS CORPORATION,  
*Petitioner,*

v.

OPERATION TECHNOLOGY INC.,  
SCHNEIDER ELECTRIC USA, INC.,  
*Respondents.*

---

**On Petition for Writ of Certiorari to the United  
States Court of Appeals for the Federal Circuit**

---

**REPLY BRIEF FOR PETITIONER**

---

Robert F. Ruyak  
*Counsel of Record*  
Amadou K. Diaw  
Jeffrey Frey  
RuyakCherian LLP  
1700 K Street NW  
Suite 810  
Washington, DC 20006  
(202) 838-1560  
robertr@ruyakcherian.com

Korula T. Cherian  
1936 University Avenue  
Suite 350  
Berkeley, CA 94704  
(510) 944-0190

*Counsel for Petitioner*

**TABLE OF CONTENTS**

TABLE OF AUTHORITIES . . . . . ii

INTRODUCTION. . . . . 1

    A. The District Court Reached an Incorrect Conclusion by Finding this Case Similar to *Parker v. Flook*. . . . . 2

    B. The Question of Whether the Components of Petitioner’s Claim are “Conventional and Generic” is One of Fact Under *Berkheimer*, so Disposition of this Case Depends on How this Court Decides *Berkheimer*. . . . . 8

    C. Petitioner Waived No Questions of Material Fact before the District Court. . . . . 9

    D. The Federal Circuit’s Routine Rule 36 Affirmance of Cases That Involve Patent Eligibility Questions Has Widened the Void in This Area of the Law and Invites Injustice as Exemplified in this Case. . . . . 11

CONCLUSION. . . . . 13

## TABLE OF AUTHORITIES

### CASES

<i>Alice Corp. Pty. Ltd. v. CLS Bank Int’l</i> , 573 U.S. 208 (2014) . . . . .	3, 6, 9, 10
<i>American Axle &amp; Manufacturing v. Neapco Holdings</i> , No. 2018-1763, 2019 U.S. App. LEXIS 29655 (Fed. Cir. Oct. 3, 2019) . . . . .	1, 11
<i>Berkheimer v. HP Inc.</i> , 881 F.3d 1360 (Fed. Cir. 2018) . . . . .	8, 9, 12, 13
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981) . . . . .	1, 2
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 566 U.S. 66 (2012) . . . . .	3, 8
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 564 U.S. 91 (2011) . . . . .	8
<i>Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.</i> , 811 F.3d 1314 (Fed. Cir. 2016) . . . . .	8
<i>Parker v. Flook</i> , 437 U.S. 584 (1978) . . . . .	<i>passim</i>
<i>Power Analytics Corp. v. Operation Technology, Inc. et al.</i> , 8:16-cv-01955-JAK-FFM (C.D. Cal. Feb. 28, 2017) . . . . .	9

*Power Analytics Corp. v. Operation Technology, Inc.*  
*et al.*,  
8:16-cv-01955-JAK-FFM (C.D. Cal. Mar. 21,  
2017) ..... 10

*Power Analytics Corp. v. Operation Technology, Inc.*  
*et al.*,  
8:16-cv-01955-JAK-FFM (C.D. Cal. Aug. 10,  
2017) ..... 10

**STATUTES**

35 U.S.C. § 101 ..... *passim*

## INTRODUCTION

Petitioner disagrees with Respondents' restatement of the question presented, because it misrepresents the decision below as a "holding that Petitioner's patent claims are invalid under *Parker v. Flook*, 437 U.S. 584 (1978)." Without a written opinion, we simply *don't know why* the appeals court affirmed the district court's decision. And, given the many issues in this case, the district court's superficial use of *Flook* to justify its decision, along with ignorance of the Federal Circuit's reasoning, cannot lead to a definitive statement such as "invalid under *Parker v. Flook*." Given the Federal Circuit's failure to settle § 101 law, accompanied by intense disagreement about the meaning of *Flook* itself,<sup>1</sup> saying that a case is "invalid under *Flook*" is not accurate and provides little guidance to the Court in this case.

Petitioner did not waive – as Respondents incorrectly assert – its fact-based arguments that the claimed invention was "inventive" and differentiable from the invention in *Flook*. However, the waiver issue provides another argument for granting certiorari in this case in order to rein in the Federal Circuit's overuse of Rule 36: with a Rule 36 affirmance, no one knows whether the appeals court agreed with the district court's substantive views and application of § 101, or with the waiver arguments. Respondents rely

---

<sup>1</sup> See, e.g., *American Axle & Manufacturing v. Neapco Holdings*, No. 2018-1763, 2019 U.S. App. LEXIS 29655, at \*18-19 (Fed. Cir. Oct. 3, 2019), indirectly pointing out the difficulty of reconciling *Flook* with *Diamond v. Diehr*, 450 U.S. 175, 191 (1981).

on both arguments, but the prospect of multiple potential (but unknowable) bases for the judgment provides more reason to grant certiorari than to deny it.

Finally, Petitioner does agree with part of Respondents' restatement of the question presented, as "[w]hether the Federal Circuit correctly issued an unpublished summary affirmance of a district court order..." because this part of the restatement brings the Court's attention to the Federal Circuit's overuse of Rule 36 in the § 101 context which increases the uncertainty in what has become the most uncertain area of the patent laws. This practice is a misuse of Rule 36 and an impediment to the efficient and fair administration of the judicial process. The summary Rule 36 affirmances make no contribution to settling the turbulent area of patent eligibility law.

The frequent use of Rule 36 affirmances in appeals regarding § 101 has only led to a dramatic increase in amount of litigation concerning this issue and more appeals to the Federal Circuit and this Court seeking clarification. The petition should be granted at least to use the power of this Court's supervisory administrative authority to suggest to the Federal Circuit that excessive use of Rule 36 in this area of the law is unacceptable.

**A. The District Court Reached an Incorrect Conclusion by Finding this Case Similar to *Parker v. Flook***

In their Brief in Opposition, Respondents base their argument on the incorrect, and overreaching,

statement that the district court found Petitioner's claims "indistinguishable from claims held patent ineligible in *Parker v. Flook*, 437 U.S. 584 (1978)." In fact, the district court stated only that "The claims at issue in this case are unlike those addressed in *Diehr* and more analogous to those considered in *Flook*" (App. 19) and, in contrast to the eligible claims in *Mayo v. Prometheus*, the claims were "more like those in *Parker v. Flook*, 437 U.S. 584 (1978)." (App. 42).

These vague statements reflect neither the unequivocal nature of "indistinguishable" nor any analytical justification. Thus, contrary to Respondents' assertions, the district court, which did no fact-finding relevant to a determination of step 2 of *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 221-224 (2014), hardly found Petitioner's claims "indistinguishable" from those of *Flook*.

Respondents incorrectly parrot the district court's disregard for the distinguishable elements in Petitioner's Claim, and the method claim in *Flook*, as can be seen by comparing the *Flook* claim with that in Petitioner's patent:

*Flook* claim:

1. A method for updating the value of at least one alarm limit on at least one process variable involved in a process comprising the catalytic chemical conversion of hydrocarbons wherein said alarm limit has a current value of  $Bo+K$  wherein  $Bo$  is the current alarm base and  $K$  is a predetermined alarm offset which comprises:

- (1) Determining the present value of said process variable, said present value being defined as PVL;
- (2) Determining a new alarm base B1, using the following equation:  
$$B1=B_0(1.0-F) + PVL(F)$$
where F is a predetermined number greater than zero and less than 1.0;
- (3) Determining an updated alarm limit which is defined as B1+K; and thereafter
- (4) Adjusting said alarm limit to said updated alarm limit value.

*Flook*, 437 U.S. at 596-598.

The *Flook* Court described some of the operations required to practice this method as follows:

In order to use Respondents' method for computing a new limit, the operator must make four decisions... he first selects the original "alarm base" (Bo); if a temperature of 400 degrees is normal, that may be the alarm base. He next decides on an appropriate margin of safety... Then he decides on the time interval that will elapse between each updating... Finally, he selects a weighting factor (F), which may be any number between 99% and 1%, and which is used in the updating calculation.



*Flook*, 437 U.S. at 597. Thus, virtually all the process in *Flook* is dependent upon the application of human (“the operator”) thought and experience, to specify the coefficients in a claimed formula. Indeed, the *Flook* Court found that “[t]he only novel feature of the method is a mathematical formula,” and found the invention ineligible because, as “[i]n *Gottschalk v. Benson*, 409 U. S. 63, we held that the discovery of a novel and useful mathematical formula may not be patented.” *Flook*, 437 U.S. at 585.

Petitioner’s Claim 1 of the ‘608 patent is quite different than that of *Flook*, specifying nothing as simple as a formula to be solved, and calling for specialized apparatus. The claim recites a specific scalable hardware architecture executing certain processes that are not *prima facie* generic:

1. A system for filtering and interpreting real-time sensory data from an electrical system, comprising:
  - a data acquisition component communicatively connected to a sensor configured to acquire real-time data output from the electrical system;
  - a power analytics server communicatively connected to the data acquisition components, comprising,
    - a virtual system modeling engine configured to generate predicted data output for the electrical system utilizing a virtual system model of the electrical system,

an analytics engine configured to monitor the real-time data output and the predicted data output of the electrical system, the analytics engine further configured to initiate a calibration and synchronization operation to update the virtual system model when a difference between the real-time data output and the predicted data output exceeds a threshold, and

a decision engine configured to compare the real-time data output against the predicted data output to filter out and interpret indicia of electrical system health and performance;

and a client terminal communicatively connected to the power analytics server and configured to display the filtered and interpreted indicia.

In addition to the other distinguishing elements, the claim in *Flook* differs from Petitioner's because *Flook*'s was a method claim, while Petitioner's is a system claim. This distinction is important to the eligibility analysis if the hardware in the system claim is not "purely functional and generic", which it is not in this case. See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 226 (2014). In *Alice*, the specific hardware, a "communications controller" and "data storage unit" which could perform the basic calculation, storage, and transmission functions required by the method claims,

were too generic to rescue the system claims from the ineligibility of the method claims. In contrast, Petitioner’s system claim calls for devices that are not, as described in the claim, generic, and which perform functions unique to the invention, *viz.*, a:

“virtual system modeling engine configured to generate predicted data output for the electrical system utilizing a virtual system model of the electrical system, an analytics engine configured to monitor the real-time data output and the predicted data output of the electrical system, the analytics engine further configured to initiate a calibration and synchronization operation to update the virtual system model when a difference between the real-time data output and the predicted data output exceeds a threshold.”

Finally, unlike the claim in *Flook*, Petitioner’s claim describes neither an abstract mathematical formula nor activity occurring after solution of the formula. In *Flook*, this Court found the formula itself to be an ineligible mathematical abstraction, and further rejected “the notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable principle into a patentable process.” *Flook*, 437 U.S. at 591. Petitioner’s claim, in contrast, describes a complex predictive activity and a scalable hardware architecture on which it runs – not a mathematical formula. Further, the claimed computational activity recited by Petitioner’s claim is not “post-solution” activity, but rather is activity performed to produce the prediction (solution) itself.

**B. The Question of Whether the Components of Petitioner’s Claim are “Conventional and Generic” is One of Fact Under *Berkheimer*, so Disposition of this Case Depends on How this Court Decides *Berkheimer***

Whether the elements in a claim are routine and conventional is a question of fact under *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018). Further, this fact “must be proven by clear and convincing evidence.” *Id.*, citing *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011); see also *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 78-79 (2012). Thus, the disposition of Petitioner’s case is essentially dependent on whether this Court upholds *Berkheimer* in its current term.

*Berkheimer* is important here because the district court itself made the determination, as a question of law, on the basis of its own reading of the patent and with no expert evidence at all –much less “clear and convincing” evidence– that the claimed components were not “unconventional physical elements” (App. 42) only because they “focus[ed] on the idea of comparing live data to predicted data and updating a prediction model.” (App. 42). A “focus on an idea” is too imprecise a formulation to describe how some apparatus actually performs a required function. Under *Berkheimer* and its antecedents, the district court should not itself have made the “conventional” determination in this case at all.

If this Court upholds *Berkheimer*, the decision in Petitioner’s case should be vacated and remanded to the district court for re-consideration of the eligibility issue. Therefore, contrary to Respondents’ assertions, Petitioner’s case is vitally dependent upon this Court’s resolution of *Berkheimer*, which, if upheld, would necessitate a summary remand of this case to the district court.

### **C. Petitioner Waived No Questions of Material Fact before the District Court**

Petitioner has not “waived any argument that any additional facts now raised might advance its position,” as Respondents assert (Opp. at 2). Raising additional facts at this appeal stage would not avail in any case, but Petitioner has not raised any new facts. Petitioner raised critical factual issues at the district court and addressed such issues on appeal to the Federal Circuit. The district court erroneously rejected Petitioner’s factual arguments and this error was summarily upheld by the Federal Circuit.

Numerous relevant fact issues were raised at the district court in the parties’ briefing. In its statement of undisputed facts and conclusions of law in support of its motion for partial summary judgment of invalidity, *Respondents* brought factual issues to the court to buttress their “primary position that the controlling case law” and the patents themselves demonstrate that the ‘additional elements’ in the asserted claims fail to constitute an “inventive concept” under step 2 of *Alice*. *Power Analytics Corp. v. Operation Technology, Inc. et al.*, 8:16-cv-01955-JAK-FFM (C.D. Cal. Feb. 28, 2017) [Doc. No. 162 at 1]. Respondents’ evidence on this

issue was certain prior art but Respondents did not address the issue of invention.

In response, Petitioner specifically identified factual issues, including the patent's recitation of "structures in the form of hardware, software modules and algorithms that are deployed to create a dynamic virtual system model". *Power Analytics Corp. v. Operation Technology, Inc. et al.*, 8:16-cv-01955-JAK-FFM (C.D. Cal. Mar. 21, 2017) [Doc. No. 181 at 14]; similar assertions implicating factual assertions of invention appear elsewhere in that brief at, e.g., pp. 15, 17, 22, and 23.

Petitioner also disputed material facts in its motion for reconsideration of the district court's initial partial summary judgment decision, *Power Analytics Corp. v. Operation Technology, Inc. et al.*, 8:16-cv-01955-JAK-FFM (C.D. Cal. Aug. 10, 2017) [Doc. No. 327 at 2] ("This is a naked assertion regarding an issue of material fact," attacking Respondents' description of claims in a different case); p. 15 ("The Court's Order did not analyze the claims as a whole and instead focused on discrete aspects of the claims at an impermissibly high level of abstraction"); p. 19 ("The Court's Order does not reflect a search for an inventive concept required by *Alice*.").

**D. The Federal Circuit’s Routine Rule 36 Affirmance of Cases That Involve Patent Eligibility Questions Has Widened the Void in This Area of the Law and Invites Injustice as Exemplified in this Case**

This case presents two intertwined problems that this Court should address: a) the Federal Circuit’s excessive use of Rule 36 affirmances—specifically in the patent eligibility context; and, b) the increasingly chaotic state of judicial interpretation of § 101 patent eligibility. The Federal Circuit’s practice of affirming without opinion exacerbates the chaos surrounding § 101 because litigants and industry participants do not receive necessary guidance from decisions granted without written opinions.

The recent Federal Circuit decision in *American Axle & Manufacturing v. Neapco Holdings*, No. 2018-1763, 2019 U.S. App. LEXIS 29655 (Fed. Cir. Oct. 3, 2019) illustrates the increasing disarray in § 101 jurisprudence. The dissent in *American Axle* observed that, “Section 101 simply should not be this sweeping and this manipulatable.” *Id.* at \*44. The dissent also noted that, “The majority’s validity goulash is troubling and inconsistent with the patent statute and precedent.” *Id.* And that, “the [§ 101] hydra has grown another head.” *Id.* at \*43.

The confusing state of § 101 interpretation, coupled with the Federal Circuit’s affirmance without explanation has real world consequences. First, industry participants received no guidance as to whether entire areas of invention are ineligible or whether the Federal Circuit affirmed on procedural

grounds. Substantial investments in innovation—especially in the power systems industry—are thus thrown into doubt and financial risk grows with uncertainty.

Second, by concealing the grounds for their decision, the judges of the Federal Circuit allowed Respondents to submit an exaggerated and disingenuous response in this Court. Petitioner disputed relevant questions of fact at the district court, but the Federal Circuit's Rule 36 affirmance of the district court's judgment, with no written opinion, leaves it in the dark as to how, or whether, these arguments were considered and ultimately leads to more petitions for certiorari regarding the fundamental question of our patent system—what is patentable?

The impenetrability of the appeals court's decision provides another reason for the Court to grant this petition: to help resolve any ambiguities in the appeals court's interpretation of its own decision in *Berkheimer*, and in particular whether that court agreed with the district court's substantive views and application of § 101, or with the waiver arguments so confusingly raised by Respondents.

The egregious nature of Rule 36 decisions involving § 101 jurisprudence, which was treated at length in the Petition, has been, and still is, the justification for numerous other petitions before this Court. In addition to the many contradictions in decisions involving § 101, decisions using Rule 36 leaves open the possibility that in any given case there are multiple reasons for the Federal Circuit to have reached a decision. Yet not knowing which one, or multiple, reasons were



responsible for a facially inconsistent decision in a § 101 case leads to no furtherance of understanding of § 101 issues and to the unnecessary expenditure of large resources in patent litigation. This petition should be granted, at the least, as an instruction to the Federal Circuit to help settle § 101 law by properly explaining its decisions in this area.

### CONCLUSION

The petition for a writ of certiorari should be granted. Alternatively, the Court should consider holding this petition pending its resolution of *Berkheimer*, No. 18-415.

Respectfully submitted,

Robert F. Ruyak  
*Counsel of Record*  
Amadou K. Diaw  
Jeffrey Frey  
RuyakCherian LLP  
1700 K Street NW  
Suite 810  
Washington, DC 20006  
(202) 838-1560  
robertr@ruyakcherian.com

Korula T. Cherian  
1936 University Avenue  
Suite 350  
Berkeley, CA 94704  
(510) 944-0190

*Counsel for Petitioner*