

No. 19-852

In the Supreme Court of the United States

MAXELL, LTD.,

Petitioner,

v.

FANDANGO MEDIA, LLC,

Respondent.

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

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the Court of Appeals correctly affirmed the District Court's determination that the relevant claims of Petitioner's patents encompass abstract ideas that are not patent-eligible under 35 U.S.C. § 101.

**PARTIES TO THE PROCEEDING AND
CORPORATE DISCLOSURE STATEMENT**

All parties are identified in the caption of this brief. Respondent identifies the following parent corporations and publicly held companies that own 10% or more of stock in Fandango Media, LLC: Fandango Holdings, LLC; NBCUniversal Fandango Holdings, LLC; Flixster, Inc.; WB Communications Inc.; Comcast Corp.; and Time Warner Inc.

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Respondent Fandango Media, LLC respectfully submits that the Petition for a writ of *certiorari* should be denied.

OPINIONS BELOW

The order of the Court of Appeals (Pet. App. 1a-2a) is not published in the Federal Reporter but is reprinted in 779 F. App'x 745. The Court of Appeals affirmed the District Court's ruling in a non-precedential order without opinion pursuant to Federal Circuit Rule 36. The opinion of the District Court (Pet. App. 3a-25a) is not published in the Federal Supplement, but is available at 2018 WL 4502492.

JURISDICTION

The judgment of the Court of Appeals was entered on October 8, 2019. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. § 101 provides:

Inventions Patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

STATEMENT OF THE CASE

1. Petitioner’s argument for *certiorari* is expressly predicated on a contingent event that has not come to pass. Specifically, Petitioner had requested that if this Court granted *certiorari* in one or more of three pending § 101 cases identified in the Petition, then this Court should also grant this Petition to vacate the Federal Circuit’s decision and remand this case to the Federal Circuit for further proceedings consistent with whatever new ruling(s) this Court issues in one or more of those three cases. Pet. 7. However, this Court has now denied review as to each of the cases identified in the Petition.

2. Patent claims directed to an abstract idea that employ only conventional and routine activities to implement that abstract idea are not patent eligible. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 217-18 (2014). As the District Court and the United States Court of Appeals for the Federal Circuit concluded, that rule disposes of this case.

For more than 150 years, this Court has held that Section 101 “contains an important implicit exception: [l]aws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 573 U.S. at 216 (internal citations omitted). This Court in *Alice* articulated a two-step framework “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Id.* at 217. “First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If yes, “we 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.* Step two of this framework is described as “a search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Id.* (internal quotations omitted).

3. The parties referred to the three patents at issue¹ as the “Rental Expiration Patents.” C.A. App. 4a. The Rental Expiration Patents recognize a problem that “profits cannot be returned to the copyrighters” of digital audio and video data if “many high-quality copies are prepared and circulated at a site unknown to a copyright holder.” C.A. App. 75. The Rental Expiration Patents are directed to solutions for “setting a limit to playback or copying of [digital video and audio data] to be recorded or reproduced by the authority of copyright holders and the like.” *Id.* The Patents do so by establishing certain rules (including a grace period) governing when a user can view the copyrighted material.

¹ The patents at issue are U.S. Pat. Nos. 8,311,389 (the ‘389 Patent”); 9,083,942 (the ‘942 Patent); and 9,773,522 (the ‘522 Patent). Pet. App. 4a. The three patents belong to the same patent family and share a common specification. *Id.* The patents were originally assigned to Hitachi, Ltd., which assigned the patents to Hitachi Consumer Electronics Co., Ltd. in 2009, which assigned the patents to Hitachi Maxell, Ltd., which later assigned the patents to Petitioner. C.A. App. 1002.

According to Petitioner, the “inventors realized that users generally want to watch a video only once, but not right away.” Pet. 4. The inventors sought to implement this rather pedestrian insight by using two time limits that would eliminate “the anxiety of the copyright holders” and the “inconvenience of the users.” C.A. App. 75. The first time limit is called a “retention period,” which is the “effective period inside the recording medium.” C.A. App. 76. The second time limit is called a “playback permission period,” which is the “effective period starting with playback initiation.” *Id.*

The Rental Expiration Patents also address situations in which the retention period may expire before the playback comes to an end, and propose two rules for when this situation occurs. *Id.* According to the first rule, reproduction of the video is disabled “concurrently with the stop of the retention period”—*i.e.*, there is no grace period to finish watching the video. *Id.* According to the second rule, “for convenience of users,” the user is permitted to finish playback of the remaining part of the video “up to the end”—*i.e.*, a grace period is provided to allow the user to finish watching the video. *Id.*

Each asserted claim of the Rental Expiration Patent includes the two time controls and one of the two rules. The ’389 Patent claims the first rule (where there is no grace period provided) that allows a user to finish playback after expiration of the retention period. C.A. App. 38; Pet. App. 5a. The ’942 and ’522 Patents claim the second rule (where there is such a grace period). C.A. App. 60, 85; Pet. App. 5a.

4. Respondent owns an online movie and television streaming service called FandangoNow. C.A. App. 1003. Petitioner alleged that Respondent infringed the patents because the FandangoNow service utilizes

“a first period for retaining the audio/video information on the recording medium, in that viewers have 30 days to complete watching the rental, and a second period for enabling reproduction of the audio/video information recorded on the recording medium after the audio/video information is initially accessed for reproduction from the recording medium, in that once a viewer starts a movie or television show they must complete it within, for example, 48 hours.”

C.A. App. 1007.

During the claim construction process, the parties jointly agreed on the following construction of the term “control information” recited in the claims of the Rental Expiration Patents: “information that includes a set of temporal restrictions.” Pet. App. 13a. With no remaining claim construction issues pertaining to the Rental Expiration Patents, Respondent moved for judgment on the pleadings that the asserted claims of the Rental Expiration Patents are directed to ineligible subject matter under Section 101. Pet. App. 6a.

Respondent proposed treating claim 13 of the '522 Patent as representative for purposes of the eligibility analysis, and Petitioner did not dispute that claim 13 could be treated as representative. Pet. App. 12a. Claim 13 recites as follows:

13. A method, comprising:

- transmitting audio/video information;
- receiving the audio/video information;
- storing the audio/video information on a storage medium; and
- reproducing the audio/video information from the storage medium according to control information related to the audio/video information,

wherein the control information includes: a first period for retaining the audio/video information on the storage medium, and a second period, that begins at the start of an initial reproduction of the audio/video information, for enabling a start of a reproduction of the audio/video information stored on the storage medium, and

wherein, in a case where an elapsed time from a retaining of the audio/video information is within the first period and an elapsed time from an initial reproduction of the audio/video information is within the second period, enabling a reproduction of the audio/video information, and, in a case where a reproduction is started before the end of the first period and the reproduction is continuing at the end of the first period, enabling the reproduction to an end of the audio/video information beyond the end of the first period, and thereafter disabling a start of another reproduction of the audio/video information even if an elapsed time from the initial reproduction of the audio/video information is within the second period.

Pet. App. 9a-10a.

After applying the two-step *Alice* framework to the representative claim, the District Court held that the asserted claims of the Rental Expiration Patents are invalid for failure to satisfy Section 101. Pet. App. 3a-25a.

Under step one of the *Alice* framework, the District Court concluded that the claims are “directed to the abstract idea of applying a set of time restriction rules to enforce access to content.” Pet. App. 20a. Petitioner had argued that “the fact that there are two claimed time periods in the patents provides an improvement over the prior art in the field of digital video transmission systems.” Pet. App. 18a. But the District Court rejected this argument, noting that the “concept of using two time periods to control access to data instead of one time period, as recited in the context of the claims, is still an abstract concept.” Pet. App. 18a. Petitioner also argued that the brick and mortar analogies raised by Respondent and the District Court were “inappropriate because the claims require remote playback” through the “sending”, “transmitting” and “receiving” steps in the claim. Pet. App. 19a. The District Court also rejected this argument, explaining that “the sending, transmission, and receiving of information over a computer network is merely the use of generic computer limitations” that cannot confer patent eligibility to an otherwise ineligible claim. Pet. App. 19a.

Under step two of the *Alice* framework, the District Court held that the claim failed to recite an inventive concept. Pet. App. 24a. The only claim

element Petitioner identified as supplying an inventive concept was the use of “control information”—*i.e.*, “applying a set of time restriction rules to enforce access to content”—which the District Court held was itself an abstract idea. Pet. App. 21a. In applying step two of the *Alice* framework, the District Court also reviewed the remaining claim limitations, and concluded that the remainder of the claim recites conventional components operating according to their ordinary functions. Pet. App. 21a-24a.

5. Following briefing and argument, the Federal Circuit affirmed the judgment of the District Court in a non-precedential *per curiam* order. Pet. App. 1a-2a; Fed. Cir. R. 36. There was no written opinion from the Federal Circuit panel.

6. Petitioner did not seek rehearing or rehearing *en banc*.

REASONS TO DENY THE PETITION

In its Petition, Maxell argues that:

“The decision below rests on an application of the two-step framework this Court set out in *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), for determining whether claims are ineligible for patent protection because they concern one of this Court's “implicit exception[s]” (*id.* at 216) to 35 U.S.C. 101. Several pending petitions for writs of certiorari ask this Court to revisit the *Alice* framework. The United States has urged this Court to grant review in one of the cases to

address the issue. Petitioner therefore requests that this Court hold this case pending its decisions on those pending petitions. If the Court grants the petition for a writ of certiorari in one or more of those cases, the Court should grant this petition, vacate the Federal Circuit's decision, and remand the case."

Pet. 7 (emphasis added).

That is, Petitioner's argument for *certiorari* is expressly predicated on a contingent event that has not come to pass. Specifically, Petitioner had requested that if this Court granted *certiorari* in one or more of three pending § 101 cases identified in the Petition, then this Court should also grant this Petition to vacate the Federal Circuit's decision and remand this case to the Federal Circuit for further proceedings consistent with whatever new ruling(s) this Court issues in one or more of those three cases. However, this Court has now denied review as to each of the cases identified in the Petition.

Moreover, nothing in the Petition casts doubt on the District Court's straightforward application of this Court's *Alice* framework, or the Federal Circuit's affirmance thereof. Indeed, the Federal Circuit did not deem this case a close enough call even to warrant a written opinion. Pet. App. 2a.

1. The Petition should not be held pending indefinitely or granted based on other pending Petitions pertaining to *Alice*. This Court has already denied the petitions for a writ of *certiorari* in all of the *Alice* cases discussed in the Petition: (1) *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018), *cert denied*, *HP Inc. v. Berkheimer*, No. 18-415 (U.S. Jan. 13,

2020); (2) *Vanda Pharm., Inc. v. West-Ward Pharm. Int'l, Ltd.*, 887 F.3d 1117 (Fed. Cir. 2018), *cert. denied*, *Hikma Pharm. USA Inc. v. Vanda Pharm., Inc.*, No. 18-817 (U.S. Jan. 13, 2020); (3) *Trading Techs. Int'l, Inc. v. IBG LLC*, 921 F.3d 1084 (Fed. Cir. 2019), *cert. denied*, No. 19-353 (U.S. Jan. 27, 2020); (4) *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 915 F.3d 743 (Fed. Cir. 2019), *cert. denied*, No. 19-430 (U.S. Jan. 13, 2020); (5) *Power Analytics Corp. v. Operation Tech., Inc.*, 748 F. App'x 334 (Fed. Cir. 2019), *cert. denied*, No. 19-43 (U.S. Jan. 13, 2020); and (6) *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306 (Fed. Cir. 2019), *cert. denied*, *Garmin USA, Inc. v. Cellspin Soft, Inc.*, No. 19-400 (U.S. Jan. 13, 2020). In addition, this Court recently denied two additional petitions for writs of *certiorari* in Section 101 cases not addressed in the Petition: (1) *Trading Techs. Int'l v. IBG LLC*, 767 F. App'x 1006 (Fed. Cir. 2019), *cert. denied*, No. 19-522 (U.S. Jan. 27, 2020); and (2) *Chargepoint, Inc. v. SemaConnect, Inc.*, 920 F.3d 759 (Fed. Cir. 2019), *cert. denied*, No. 19-521 (U.S. Jan. 27, 2020). There is thus no longer any basis to grant *certiorari* in view of these decisions.

a. This case does not involve the Section 101 issues that the Solicitor General had recommended for review by this Court. The Solicitor General urged this Court to grant the petition for a writ of *certiorari* in *Athena* because of purported confusion as to the application of *Alice* in medical diagnostic-method cases. See U.S. Amicus Br. at 22, *Hikma, supra* (No. 18-817) (U.S. *Hikma* Br.). The Solicitor General characterized the confusion as stemming from “conflicting signals” sent in *Mayo Collaborative*

Services v. Prometheus Laboratories, Inc., 566 U.S. 66 (2012) regarding the Section 101 standard as it applied to method of medical treatment claims and the “law of nature” exception to patent eligibility. U.S. *Hikma* Br. at 8. “Language in that opinion indicates that the Court did not intend to overturn the well-settled understanding that method-of-medical-treatment claims typically are patent-eligible. But the decision’s logic arguably implies the opposite.” *Id.* Accordingly, the Solicitor General had requested additional guidance from this Court on the application of *Alice* in diagnostic-method cases where the “current confusion has a material effect on the outcome of the Section 101 analysis.” *Id.* at 22. By contrast, this case concerns claims to a computer-implemented method of restricting access to data based on certain business rules, not a diagnostic-method.

b. With respect to the application of the *Alice* framework to patents such as those involved in the present case, the Solicitor General had argued that a case arising “in the context of software systems may make it a particularly unsuitable vehicle to provide broader clarity regarding the scope and nature of the Section 101 inquiry.” U.S. Br. In Opp. at 23, *Trading Techs. Int’l, supra* (No. 19-353) (U.S. *Trading Techs.* Br.) (emphasis added); *see also* U.S. *Amicus* Br. at 16, *Berkheimer, supra* (No. 18-415) (U.S. *Berkheimer* Br.). The Solicitor General distinguished such cases from those involving claims to diagnostic methods. U.S. *Trading Techs.* Br. at 23. The Solicitor General further argued that a petition involving claims directed to a computer-implemented abstract idea is

not a suitable vehicle to more broadly address the *Alice* framework for the reason that such claims “would fall outside Section 101’s reach even under the approach the Court historically applied before its decision in” *Bilski v. Kappos*, 561 U.S. 593 (2010). U.S. *Trading. Techs.* Br. at 14. Instead, the Solicitor General has suggested that, should this Court revisit the *Alice* framework, it should do so in “the context of other, more familiar types of innovations—such as industrial processes or methods of medical treatment.” U.S. *Berkheimer* Br. at 16.

2. The District Court applied the two-step *Alice* framework in this case in a straightforward manner that does not warrant further review. There was no dissent from the panel’s ruling. Indeed, the Federal Circuit panel did not even view this case as a close enough call to merit a written opinion (and its order was designated “non-precedential”). Pet. App. 1a-2a. Nor did Petitioner seek either panel or *en banc* rehearing. The District Court found under step one of *Alice* that the claims are directed to the “concept of restricting access to data based on rules.” Pet. App. 13a. The district found under step two of *Alice* that the claim “fails to recite an inventive concept.” Pet. App. 24a.

a. The Petitioner did not argue in the Petition that there is any conflict in the Federal Circuit as to the manner in which the Federal Circuit had interpreted and applied this Court’s decisions in this case.

b. There is no conflict in courts below as to the application of the *Alice* framework to the patents at issue here. Under step one of the *Alice* framework,

the District Court recognized that the “concept of restricting access to data based on rules is something that the Federal Circuit has routinely held abstract.” Pet. App. 13a (citing *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013); *Smartflash LLC v. Apple Inc.*, 680 F. App’x 977, 983-84 (Fed. Cir. 2017); *SmartGene Inc. v. Advanced Biological Labs., SA*, 555 F. App’x 950, 954-55 (Fed. Cir. 2014)). Likewise, under step two of the *Alice* framework, the District Court noted that “[a]s stated by many courts, merely reciting an abstract idea performed on a set of generic computer components does not contain an inventive concept.” Pet. App. 22a. The Federal Circuit, in summarily affirming the District Court, did not find that this case addressed issues in the application of the *Alice* framework sufficient to warrant a written opinion. Pet. App. 2a.

c. At step one of *Alice*, Petitioner argues that the District Court fundamentally erred by “describing the claims at too high a level of generality and failing to consider the digital context.” Pet. 8. But even Petitioner’s own characterization of its patent is merely “a more specific-sounding way to describe an abstract concept.” Pet. App. 16a. As correctly concluded by the District Court: a specific abstract idea is still an abstract idea. Pet. App. 21a (“A more narrowly tailored and specific set of rules is a set of rules nonetheless and are themselves the abstract concept.”). Additionally, Petitioner cannot rely on features that are not recited in the claim in order to save them under step one of *Alice*.

d. Under the second step of *Alice*, Petitioner contends that the District Court should have considered its expert evidence. Pet. 9. But Petitioner fails to explain how such evidence would have had an effect on the outcome on this case. Petitioner also ignores the fact that the District Court expressly concluded that even if it had considered the expert's report, "there would be no change in the outcome of this Order." Pet. App. 22a-23a.

Accordingly, there was no fundamental error with the District Court's analysis or the Federal Circuit's summary affirmance that warrants further review.

CONCLUSION

The petition for a writ of *certiorari* should be denied.

Respectfully submitted,

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