

No. 19-966

IN THE
Supreme Court of the United States

EMERSON ELECTRIC CO.,

Petitioner,

v.

SIPCO, 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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**PARTIES TO THE PROCEEDINGS BELOW
AND RULE 29.6 STATEMENT**

Petitioner Emerson Electric Co. was the appellee in the court of appeals and the petitioner before the PTAB.

Respondent SIPCO, LLC was the appellant in the court of appeals and the patent owner before the PTAB. Glocom, Inc. is the parent company of Respondent SIPCO, LLC.

RELATED CASES STATEMENT

The proceedings at the Patent Trial and Appeal Board and the appellate court identified below are directly related to the above-captioned case in this Court.

SIPCO, LLC, v. Emerson Electric Co., No. 18-1635, U.S. Court of Appeals for the Federal Circuit. Judgment entered September 25, 2019.

Emerson Electric Co., v. SIPCO, LLC, No. CBM 2016-00095, P.T.A.B. Judgment entered on January 16, 2018.

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INTRODUCTION

The sole question set forth by petitioner is not worthy of certiorari. Petitioner asks this Court to declare that Section 324(e) bars any judicial review by the Patent Trial and Appeal Board (PTAB) of whether a claimed patent invention qualifies as a “covered business method” (CBM) or is a “technological invention,” which is excluded from CBM review.

But the decision by the Federal Circuit on this question is correct because nothing in the intent of Congress precludes it “in an appeal of a *final written decision*, deciding contested questions regarding premises necessary to the agency’s ultimate relied-on authority to take the action on appeal—here, invalidation of the patent claims under the CBM authorization—just because the agency first addressed those premises at the initiation state of the proceeding.” *Versata Dev. Grp. Inc. v. SAP Am. Inc.*, 793 F.3d 1306, 1321 (Fed. Cir. 2015)(*emphasis added*).¹ The decision of whether a patent is a CBM is made by the PTAB not only at institution but also in its Final Written Decision after reviewing all the evidence presented during the proceeding (*e.g.*, expert testimony on claim construction, the teachings of the prior art, and the challenged patent). Nothing in Section 324(e) suggests

1. The Federal Circuit did not rule on the question before this Court in this case because Petitioner Emerson did not raise it before that Court or the PTAB. Instead, Emerson argued below that the challenged patent is a CBM; it did not raise the reviewability question until after it had lost at the Federal Circuit. The Federal Circuit, however, had ruled in previous cases that the PTAB’s decision on whether a patent is a CBM is reviewable on appeal. *See e.g., Versata*, 793 F.3d at 1321.

that the PTAB is precluded from reviewing this important evidence to make a more-informed decision on whether the challenged patent is a CBM or that the Federal Circuit is prohibited from reviewing that final decision.

The Federal Circuit's decision does not conflict with any decision by this Court. The question presented here is very different than that which was decided by this Court in *Thryv, Inc. v. Click-to-call Technologies, LP*, 550 U.S. ____ (2020) or *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016). In *Thryv*, this Court held that a decision by the PTAB as to whether an inter partes review (IPR) petition was timely filed is not appealable “[b]ecause § 315(b) expressly governs institution and nothing more.” 550 U.S., at ___ (slip op., at 8). Likewise, this Court in *Cuozzo* held that a decision by the PTAB as to whether an IPR petition set forth grounds challenging the patent with sufficient particularity is also not appealable for the same reason. *Cuozzo*, 136 S. Ct. at 2140. Evidence presented during an IPR trial is not relevant to whether an IPR petition was timely filed or contains sufficient particularity. Accordingly, the appeals in *Thryv* and *Cuozzo* were of the PTAB's institution decision.

Here, in sharp contrast, expert testimony and other evidence presented during the trial clearly enables the PTAB to make a more-informed decision as to whether a patent is a CBM or a “technological invention.” That is, Patent Owner SIPCO's appeal to the Federal Circuit was of the PTAB's Final Written Decision, not the institution decision.

Also contrary to Petitioner Emerson's argument, the CBM determination is not subsumed by the PTAB's

decisions on novelty (Section 102), obviousness (Section 103), or the subject matter patentability test (Section 101). While drafting the rule to define a “technological invention” (37 CFR § 42.301(b)), the United States Patent & Trademark Office (USPTO) explicitly rejected the proposal to make the technological invention determination depend on the patentable subject matter test under Section 101. 77 Fed. Reg. 48,734, 48737 (Response to Comment 10) (August 14, 2012) (Final Rule). Also, the “technological invention” test considers whether the claims “as a whole recite a *technological feature* that is novel and nonobvious over the prior art, and solves a technical problem using a technical solution.” 37 CFR § 42.301(b) (*emphasis added*). Neither Section 102 nor 103 makes any mention of such a “technological feature.” That is, determinations under Sections 102 and 103 are made independently of whether the claims recite a “technological feature.” Thus, covered business method and *technological invention* tests are very different than—and not subsumed by—novelty and obviousness determinations.

The petition for a writ of certiorari should be denied.

BACKGROUND

Covered business method patents are subject to the special provisions of Section 18 of the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, 329-31 (2011). Section 18 establishes a separately-designated transitional program for only “covered business method patents,” as that term is defined by the statute.

ARGUMENT**A. THE QUESTION PRESENTED—WHETHER THE USPTO HAS THE UNREVIEWABLE RIGHT TO DETERMINE WHETHER A PATENT IS A COVERED BUSINESS METHOD—IS UNWORTHY OF REVIEW**

Congress drafted Section 18 to enable “transitional post grant review” to be employed against “covered business method patents.” § 18(a)(1). Congress placed a clear limit on which patents could be considered to be covered business methods: “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for *technological inventions*.” § 18(a)(1) (*emphasis added*). According to Petitioner Emerson, the USPTO has the exclusive authority to determine what this statutory restriction means, and Section 324(e) prohibits the courts from reviewing the USPTO’s determination.

This contention is unworthy of review. It is based on an expansive reading of Section 324(e) for *post grant review* that this Court rejected for the corresponding Section 314(d) for *inter partes review*. This Court correctly recognized the judiciary’s traditional authority to ensure that an inter partes review proceeds in accordance with the law’s demands. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018). There is no basis on which this Court may revisit that settled straightforward ruling. Review of the PTAB’s decision as to whether a patent is a CBM is not precluded merely because it is made both at institution and in the Final Written Decision. The PTAB’s decision may

change based on evidence presented during the trial and its final decision may be reviewed by the Federal Circuit.

The Petitioner's contention that the question posed here is similar to that of *Thrv* is wrong. In *Thrv*, the issue of whether an IPR petition was timely filed is unrelated to the evidence that is typically presented during the IPR trial. That holding does not affect the question in this case, where the trial evidence including expert testimony on claim construction, the prior art, the patent under review, *etc.* helps the PTAB to make a more-informed final decision.

The Petitioner's contention that the PTAB's decision as to whether the patent under review claims a "technological invention" is subsumed by the PTAB's obviousness ruling under Section 103 and the patentable subject matter test under Section 101 is also wrong. The USPTO, while drafting the rule to implement the statute, considered and rejected the proposal to use the Section 101 patentable subject matter test as the test for whether the patent claims a technical solution to a technical problem. Also, the test for whether the claimed invention recites a "technical feature" that is "novel and unobvious" differs from the test for novelty under Section 102 and obviousness under Section 103. Neither section 102 nor 103 makes any mention of a "technical feature," let alone indicate that novelty or unobviousness is dependent on whether the claims recite a "technical feature."

For these reasons as set forth more fully below, the Petition should be denied.

1. Petitioner’s argument is based on an expansive view of the statement from Section 324(e) that “[t]he determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.” 35 U.S.C. 324(d). According to petitioner, this section protects from court review any determination by the PTAB as to whether a challenged patent qualifies as a CBM. Pet. 10-11 (relying on *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2140 (2016)). Petitioner is wrong.

a. As this Court has explained, there is a “strong presumption” favoring judicial review, and Congress has to speak in “clear and convincing” terms to overcome that presumption. *SAS Institute*, 38 S. Ct. at 1359 (internal quotation marks omitted). As this Court concluded, “§ 314(d) does not ‘enable the agency to act outside its statutory limits,’” and “nothing in § 314(d) or *Cuozzo* withdraws [the judiciary’s] power to ensure that an inter partes review proceeds in accordance with the law’s demands.” *Ibid.*

There is no question that courts have the authority to review the USPTO’s determination of whether a patent is a covered business method under Section 18(d). That statute directly cabins the agency’s authority to only those patents that fall within the scope of the definition of a CBM, and nothing in Section 324(e) forecloses the judiciary’s role in construing the limit on the agency’s power. It has long been the law that “[a]dministrative determinations must have a basis in law and must be within the granted authority.... An agency may not finally decide the limits of its statutory power. That is a judicial function.” *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369, 66 S.Ct. 637, 90 L.Ed. 718 (1946). This Court has repeatedly emphasized “the

strong presumption that Congress intends judicial review of administrative action,” and that “[f]rom the beginning ‘our cases [have established] that judicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.’ ” *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670, 106 S.Ct. 2133, 90 L.Ed.2d 623 (1986) (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 140, 87 S.Ct. 1507, 18 L.Ed.2d 681 (1967)).

More specifically, when doubt about congressional intent exists, the general presumption favoring judicial review of rights-changing administrative action is controlling. *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 351, 104 S.Ct. 2450, 81 L.Ed.2d 270 (1984). As a result, a party seeking to overcome this strong presumption faces a “heavy burden” and must do so by “clear and convincing” evidence. *Bowen*, 476 U.S. at 671–72. This Court recently reiterated the agency’s heavy burden to overcome the strong presumption against unreviewability. *See Mach Mining, LLC v. E.E.O.C.*, 575 U.S. 480, 135 S.Ct. 1645 1651, 191 L.Ed.2d 607 (2015).

Neither Section 18 nor 324(e) contains the “clear and convincing” text needed to overcome the presumption of judicial review. Neither suggests that Congress intended to preclude the PTAB from changing its initial determination that a challenged patent is a CBM based on relevant evidence presented during the trial. And certainly, neither section suggests that the reviewability is dependent on the PTAB’s determination (*e.g.*, that the PTAB’s decision is reviewable if it changes in the Final Written Decision after the trial but is not reviewable if it stays the same).

b. The Federal Circuit has already addressed in detail the same question presented here: “if the PTAB makes an initial determination under § 18 of the AIA that the patented invention qualifies for ‘covered business method’ treatment under § 18, may a court review that issue when reviewing as part of a final written decision the invalidation of claims under the authority of § 18?” *Versata*, 793 F.3d at 1310.

In *Versata*, the PTAB initiated a covered business method review, determining that certain claims “were more likely than not unpatentable under 35 U.S.C. §§ 101 and 102.” *Id.* at 1313. After the petitioner SAP “agreed to forego the §102 review,” the PTAB issued its final written decision cancelling certain claims as being directed to unpatentable subject matter under § 101. *Ibid.* The patent owner *Versata* appealed to the Federal Circuit arguing that “the invalidation must be reversed as beyond the § 18 authority because the [] patent [under review] is not actually a CBM patent under the law if properly understood, and so is outside the PTAB’s invalidation authority under § 18.” *Id.* at 1319-1320.

The Court “reject[ed] the contention” that it may not review whether the patent “is a CBM patent covered by § 18.” *Id.* at 1319. After acknowledging that §324(e) precludes review of the PTAB’s decision to institute, the Court nonetheless reasoned that the PTAB’s determination as to whether the patent is a CBM is reviewable because the PTAB may revisit its determination for the Final Written Decision:

The distinct agency actions do not become the same just because the agency decides

certain issues at both stages of the process. Nor do they become the same just because the agency chooses, or even follows a congressional directive, to decide an issue determining final-action authority at the initiation stage and then does not revisit the issue later.

Id. at 1319. The Court then concluded that nothing in the intent of Congress precludes it “in an appeal of a final written decision, [from] deciding contested questions regarding premises necessary to the agency’s ultimate relied-on authority to take the action on appeal ... just because the agency first addressed those premises at the initiation state of the proceeding.” *Id.* at 1321.

Indeed, the Federal Circuit has reversed many of the PTAB’s Final Written Decisions on CBM proceedings on the basis that the patents under review were not covered business methods. *See e.g., Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016); *Secure Access, LLC v. PNC Bank National Ass.*, 848 F.3d 1370 (Fed. Cir. 2017).

2. Petitioner’s reliance on *Cuozzo and Thryv* is misplaced. *Cuozzo* did not address the issue here of whether a Final Written Decision can be reviewed for compliance with a limit on the PTAB’s invalidation authority. Rather, this Court in *Cuozzo* recognized the distinction between institution and final invalidation and ruled only on review of the institution, not whether the final written decision breached any limitation on invalidation authority. 793 F.3d at 1272-1274.

The question presented in *Thryv* is also very different than the question presented here. In *Thryv*, the issue was

whether the Federal Circuit may review a decision by the PTAB that an IPR petition was timely filed (*i.e.*, within one year of service of the patent infringement complaint on the IPR petitioner). The PTAB can make this decision with the information that is available at the time that it makes the institution decision. No evidence from a trial proceeding before the PTAB is needed—or would be helpful—to make that determination.

In sharp contrast, the evidence from a trial is helpful to the determination of whether a patent qualifies as a covered business method patent. That is, the PTAB could make use of the trial evidence to decide whether its initial determination that the challenged patent qualifies as a CBM was correct or incorrect. In particular, trial evidence regarding claim construction including expert testimony as to how a person of ordinary skill in the art would have understood the claim language, expert testimony on novelty, obviousness, etc. could be used to determine whether the claimed invention is a “technological invention,” not a CBM. Indeed, the Federal Circuit based its claim construction ruling in the present appeal on the testimony of Petitioner Emerson’s expert stating that a lower power transmitter has a shorter transmission range and based on its claim construction, held that the patent under review is a technological solution to a technical invention, not a CBM. *SIPCO, LLC. v. Emerson Elec. Co.*, 939 F.3d 1301, 1309-1312 (Fed. Cir. 2019).

Indeed, the PTAB in the present proceeding considered at length the argument and evidence presented in the Patent Owner Response filed after institution before making its final determination on the issue of whether the challenged patent is a CBM or a “technological invention”

in its Final Written Decision. Pet. App., 43a-56a. The PTAB thereby demonstrated that it interpreted the statute to allow it to revisit this issue at the time of its final written decision to make a more informed decision using the evidence presented during the trial. Consistent with the PTAB's interpretation, the USPTO, in a district court case, took the position that "there was an available remedy under the AIA statute—the issues decided by the PTAB at the institution stage are preserved for review at the time of an appeal to the Federal Circuit of the PTAB's final written decision." *Versata*, 793 F.3d at 1318. The district court agreed, holding that "an adequate remedy exists by way of direct appeal [of the final written decision] to the Federal Circuit." *Ibid.*, quoting *Versata Dev. Corp. v. Rea*, 959 F.Supp.2d 912, 927 (E.D.Va.2013).²

3. Also contrary to Petitioner's argument, the decision as to whether a patent is a "technological invention" is not subsumed by the PTAB's holdings on novelty, obviousness or the patentable subject matter test. A petitioner at the PTAB need not assert any proposed grounds based on novelty, obviousness, or patentable subject matter. For example, it could make a challenge only of written description under §112. 35 U.S.C. §§ 121(b), 282(b). In those instances, the PTAB's CBM determination could not possibly be subsumed by the PTAB's holdings on novelty, obviousness, or patentable subject matter because the PTAB would not make any such holdings. There is no indication of any intent by Congress to deny review of the PTAB's decision on whether a patent is a covered

2. The USPTO later flip-flopped on its view but the Federal Circuit stated that it was "right the first time." *Versata*, 793 F.3d at 927.

business method in some circumstances (when the patent is challenged on 102, 103, and 101 grounds) and permit review in other circumstances (when the patent is not challenged on all three grounds).

Moreover, the issue of whether a patent is a covered business method is different than the issues of novelty, obviousness, or patentable subject matter. Petitioner argues that the test of whether a claimed invention recites a “technological feature that ... [2] solves a technical problem using a technical solution.” is subsumed by the patentable subject matter test under section 101. Pet. 16. Petitioner is wrong. While formulating 37 C.F.R. 42.301(b) to implement AIA Section 18(d)(1), the USPTO explicitly rejected a proposal to use the patentable subject matter test under Section 101 to determine whether a claimed invention recites a technological feature that solves a technical problem using a technical solution:

Comment 10: Several comments proposed using the standards of patent subject matter eligibility under 35 U.S.C. 101 to define whether a patent is for a technological invention. Still other comments opposed using a 35 U.S.C. 101 standard. Moreover, several comments fully supported the definition in proposed § 42.301(b). Response: The definition in proposed § 42.301(b) is consistent with the AIA and the legislative history as discussed above. The suggestions to change the definition using the standards of patent subject matter eligibility under 35 U.S.C. 101 will not be adopted. Several comments supported the definition set forth in proposed § 42.301(b) while other comments

opposed changing the definition based on the standards of patent subject matter eligibility under 35 U.S.C. 101. Upon considering the AIA and the legislative history as well as the comments in favor of the definition balanced against the comments to change the definition, the Office decided to adopt proposed § 42.301(b), in this final rule.

77 Fed. Reg. 48,734, 48737 (Response to Comment 10) (August 14, 2012) (Final Rule).

Petitioner Emerson also asserts that the test of whether a claimed invention is “a technological feature that is [1] novel and unobvious over the prior art” under 37 C.F.R. 42.301(b). is subsumed by the tests for anticipation and obviousness. Pet. 16. That too is wrong. Neither 35 U.S.C 102 (novelty) nor 35 U.S.C. 103 (obviousness) make any mention of a “technological feature.” Nor has any case from any court at any level ever held that an inquiry must be made as to whether a claimed invention is a “technological feature” to determine whether a patent claim is anticipated under §102 or obvious over §103. Clearly, the “technological exception” test is different than the tests for obviousness or novelty; it is not subsumed by them.

CONCLUSION

Emerson's Petition for writ of certiorari should be denied.

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