No. 20-325

In the
Supreme Court of the United States

WHITSERVE LLC,
Petitioner,

v.

DONUTS INC., NAME.COM, INC.,
Respondents.

- -

WHITSERVE LLC,
Petitioner,

v.

ENOM, LLC,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY TO BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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ARGUMENT

The Petition for a writ of certiorari should be granted. The Court need look no further than Donuts' opposition to recognize the error below and the necessity of resolving the Petition's question. A determination of patent ineligibility requires resolution of factual questions including questions that involve the knowledge of a person of ordinary skill in the art ("POSITA"). However, Donuts admits that courts below, including the courts in this case, weigh and resolve factual questions concerning patent eligibility at the pleading stage based on "judicial experience" and "common sense." This improper judicial activism is untethered to any factual evidence. Moreover, the lower courts' decisions are made in relation to an infringer's defense, to which a plaintiff has no obligation to factually overcome at the pleading stage, especially in view of a patent's presumptive validity. If the Federal Rules and Congresses' presumption of validity are to have any effect, this Court must address the error below to prevent further derogation of the patent right and retain any prospect of continued and robust technological innovation in America. Donuts' and the lower courts' faulty reasoning cannot warrant the vitiation of inventors' property rights at the pleading stage.

Donuts errantly continues to litigate the validity of the Asserted Patents. The Petition provides that "[t]he question presented . . . is procedural in nature and does not require a determination of patent-eligibility for the relevant patent claims." Pet. at 2. The Petition seeks to remedy a widespread procedural injustice involving judicial overreach. Lower courts have effectively established a "law of the land" that

permits and encourages courts to resolve factual disputes concerning patent eligibility at the pleading stage. This is error given the requirements of Rule 12(b)(6) analyses and the presumption of 35 U.S.C. § 282.

Finally, the Petition and the record below demonstrate the import of the question presented and how this is an ideal case for the Court's consideration of the issues. The lower courts' responses to the legal issues raised by the Petition so far depart from the accepted and usual course of judicial proceedings that discretionary review is warranted. Indeed, without this Court's intervention, the lower courts will persist in unbridled judicial activism that undercuts the rule of law, ignores a patentee's procedural and statutory rights, and strips inventors of hard-won property. For the reasons stated in the Petition and those herein, the Petition for a writ of certiorari should be granted.

I. Donuts' Opposition Confirms the Lower Courts' Error, Perverts This Court's Jurisprudence, and Completely Disregards Congresses' Presumption of Validity

A. A Dispute Concerning Whether a Claim is Directed to Well-Known, Routine, or Conventional Subject Matter Cannot be Resolved at the Pleading Stage, Especially Based Solely on the Patent's Disclosure

A patent is granted based on its disclosure. A granted patent receives a presumption of validity upon issuance and meets all the requirements of the Patent Act, including at least §§ 101-103 and 112. *See Microsoft Corp. v. i4i Ltd. P'ship,* 564 U.S. 91, 96 (2011); 35 U.S.C. §§ 151, 131. A patentee that alleges ownership of the patent right and infringement of a granted patent alleges that it meets each of the underlying factual elements of patent validity and eligibility. *See, e.g., Microsoft*, 564 U.S. at 96; 35 U.S.C. § 271.

Resolution of whether subject matter of a claim was well-known, routine, or conventional at the time of invention is a determination of fact. *See* Pet. at 5-8. This factual issue is resolved based on the understanding of a POSITA at the time of invention. *See, e.g., Mayo Collaborative Servs. v. Prometheus Labs., Inc.,* 566 U.S. 66, 80 (2012); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 225 (2014). The very definition of a POSITA is a factual issue. *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (describing "the level of ordinary skill in the pertinent art resolved" as a "basic factual inquiry"); *accord Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1376 (Fed. Cir. 2012). A judge cannot know at the pleading stage how a patent's disclosure informs a POSITA as a POSITA grasps and interprets information differently than the court. Thus, an irresolvable dispute of fact exists at the pleading stage when parties dispute whether claims comprise subject matter that is well-known, routine, or conventional at the time of the invention. Holding otherwise constitutes adjudication of a fact-based ***defense*** (ineligibility) rather than the legal plausibility of the ***claim*** (patent infringement) as required by Rule 12(b)(6). A plaintiff's claim must be entitled to proceed past the pleading stage when patent eligibility is disputed as described above.

Further, courts below are improperly adjudicating facts at the pleading stage by granting disputed motions concerning patent eligibility based on nothing more than the disclosure that constitutes the patent's validity. There can be no scenario in which a court can resolve a dispute at the pleading stage whether a patent's disclosure ***alone*** warrants its invalidation for lack of eligibility. A patent's

presumption of validity, received based on its disclosure, must be able to withstand a motion that does nothing more than present ***defenses*** and ***attorney argument*** about what that disclosure says.

B. Donuts Admits that, By Deciding Patent Eligibility at the Pleading Stage, Lower Courts Replace the Knowledge of a POSITA at the Time of Invention with the "Experience" and "Common Sense" of a Judicial Officer

Donuts admits that WhitServe's patents were found ineligible based on judges' "experience" and "common sense." Opp. at 12. The judges reviewing this case are not persons of ordinary skill in the art, never claimed to be, and never defined who constitutes a person of ordinary skill in the art. The law requires that a finding as to whether a claim element was well-known, routine, and conventional be based on the knowledge of a person of ordinary skill in the art at the time of invention. *See Mayo*, 566 U.S. at 80; *Alice*, 573 U.S. at 225. In this case, "experience" and "common sense" replaced a POSITA's knowledge concerning whether WhitServe's patent claims were directed to well-known, routine, and conventional subject matter. Donuts highlights the lower courts' errors by admitting these prohibited practices occurred below and by advocating for their propriety at large. The Petition warrants review to end this judicial overreach.

C. Donuts and Courts Below Are Perpetuating Legal Error that Must be Remedied Through the Petition

The resolution of patent eligibility at the pleading stage is improper when a patentee asserts a duly and legally issued patent and disputes underlying factual issues concerning eligibility. *Iqbal* and *Mayo* hold no different. *Iqbal* does not hold that a judge may determine disputed questions of fact at the pleading stage,

especially by substituting her own "judicial experience" and "common sense" for the knowledge of a POSITA. *Mayo* does not hold that a judge may find an entire patent ineligible at the pleading stage based on nothing more than the disclosure that lead to the patent's issuance. Donuts' assertion that lower courts are following *Iqbal* and *Mayo* in doing so is incorrect.

Donuts, citing *Iqbal*, asserts that courts need only accept factual allegations, but need not "rely" on them. Opp. at 12. This assertion is incorrect and evidences Donuts' misunderstanding of a court's role with respect to dismissal motions. Courts must accept as true ***and*** rely on the factual allegations asserted by plaintiff. *Ashcroft v. Iqbal,* 556 U.S. 662, 678 (2009). Upon accepting and relying on those facts, courts may use judicial experience and common sense to assess the legal ***plausibility of a claim***, *see id.*, but not the "plausib[ility of] factual disputes," as occurred below. App. 10a. Courts cannot use "judicial experience" and "common sense" to determine the veracity of well-plead factual assertions or weigh factual assertions at the 12(b)(6) stage. The law requires that fact issues underlying patent eligibility, such as the significance of commercial success, *see* Pet. at 5-8, 19-25, cannot be weighed and resolved by a court at the pleading stage. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). This must be reserved for later proceedings, such as summary judgment. In the context of patent litigation, and assuming there are no other pleading deficiencies (there were none alleged in this case), there can be no dispute that assertion of a valid and eligible patent is sufficient to give rise to a plausible claim of infringement.

Further, Donuts argues that "conclusory" allegations may be disregarded. Opp. at 12. This may be true in certain contexts, but a patentee need not present any specific allegation of eligibility over and above the assertion of a valid patent. The assertion of a valid patent and the statutory presumption of validity establishes the sufficiency of a patentee's eligibility allegations. Further, patent ineligibility is a ***defense*** of the infringer. At the pleading stage, a patentee is not required to submit proofs to rebut a defense. *See, e.g., Perry v. MSPB*, 137 S. Ct. 1975, 1986 n.9 (2017) ("In civil litigation, a release is an affirmative defense to a plaintiff's claim for relief, not something the plaintiff must anticipate and negate in her pleading."); *Evans v. United States*, 153 U.S. 584, 590 (1894) ("Neither in criminal nor in civil pleading is it required to anticipate or negative a defence."); *Fernandez v. Clean House, LLC*, 883 F.3d 1296, 1299 (10th Cir. 2018) ("[E]ven after the defendant has pleaded an affirmative defense, the federal rules impose on the plaintiff no obligation to file a responsive pleading."). This rule of law applies to all defenses presented in response to a pleading, but the rule is particularly strong in patent cases in view of the statutory presumption under 35 U.S.C. § 282.

Notably, the pleaded allegations that Donuts asserts are "conclusory" include WhitServe's assertions of commercial success, including its expansive licensing. App. 92a, 128a. WhitServe enjoys industry recognition and commercial success and has licensed the Asserted Patents to over twenty companies. App. 92a, 128a. WhitServe has also successfully litigated the patents against industry participants. App. 92a-93a, 128a-129a. There is nothing "conclusory" about these allegations, yet they were

not even addressed in the district court's order. Furthermore, Donuts' assertions cannot cure the impropriety of the Federal Circuit determining ***in the first instance*** that WhitServe's evidence of commercial success and licensing did not "override" its conclusion of ineligibility. App. 9a. Indeed, the significance of WhitServe's many patent licenses were weighed against the same "judicial experience" and "common sense" that replaced the viewpoint of a POSITA. This is error. Donuts sees the Federal Circuit's discussion of commercial success as it would an attorney's argument that can be construed and refuted on appeal. Opp. at 16. Commercial success is not an argument, it is a ***factual assertion***. And though Donuts seeks to rest on the Federal Circuit's mere opinion that certain ineligible ideas can still be valuable, consideration of the weight of WhitServe's factual assertions at the pleading stage is improper, especially when raised by an appellate court in the first instance.

In *Mayo*, this Court showed that a lower court may rely on admissions in a patent to support a finding that a claim element was well-understood, routine, and conventional. *See Mayo*, 566 U.S. at 79. However, the *Mayo* Court conducted this analysis with respect to a ***single claim element*** at the ***summary judgment stage*** based on an ***explicit admission*** by ***a POSITA*** around the ***time of invention***. The lower courts in this and many other cases rely on alleged admissions to hold ***entire patents*** ineligible at the ***pleading stage*** based on a ***judge's*** determination *ex nihilo* based on ***"experience" and "common sense."*** Further, in this and many other cases, the sole basis for the courts' opinions is attorney argument concerning the very patent disclosure that led to a patent's issuance. The knowledge of a POSITA is not even considered. This is error.

Additionally, although the Petition concerns procedural issues, WhitServe demonstrated how there were no admissions in the Asserted Patents that were comparable to those in *Mayo* or on which the courts could find the patents ineligible. *See, e.g.,* Pet. at 20-23. Donuts fails to identify any in its Opposition. Donuts also fails to show how or why *Mayo*'s analysis on summary judgment should apply at the pleading stage. It should not.

D. Donuts' Failure to Address the Presumption of Validity Exposes Its Desire for Judicial Activism to Triumph Over the Plain Language of the Law

Donuts does not dispute that patent eligibility involves factual considerations, such as commercial success, or that the presumption of validity under 35 U.S.C. § 282 extends to those factual considerations. However, despite the prominence of the presumption of validity in the Petition and the question presented therein, the word "presumption" does not appear in Donuts' opposition. Donuts' failure to address the presumption demonstrates its desire for the lower courts' judicial activism to triumph over the rule of law. Donuts advocates reversible error. A plaintiff's facts must be accepted and relied upon at the pleading stage, especially in view of the statutory presumption.

II. Donuts' Proposed Questions Are Misguided

Donuts did not object to the question WhitServe presented for review. Donuts' proposed questions, however, are improper. With respect to Donuts' first question, WhitServe did not and does not seek a decision on the merits of eligibility and there is no reason to provide one. The Petition presents a pure procedural issue caused by

widespread and untethered judicial activism occurring with respect to patent eligibility determinations at the pleading stage.

Donuts' second question misconstrues the record and the current state of the law. WhitServe's allegations of commercial success were not "conclusory" and were never even addressed by the district court. Further, when read in conjunction with its briefing, Donuts' second question implies that commercial success is relevant only to *Alice* step two concerning inventive concepts. *See* Opp. at 9, 16. However, as demonstrated in the Petition, the Federal Circuit has held that commercial success is also relevant to *Alice* step one. Pet. at 19.

III. This Case Presents an Ideal Vehicle to Address the Judicial Overreach Described Herein

Donuts fails to present a credible argument as to why this case is an inappropriate vehicle to resolve the questions presented by the Petition. In fact, Donuts' arguments support granting review. The alleged record against the Asserted Patents, including a unanimous Federal Circuit decision, will highlight the procedural nature of this Court's ultimate ruling.

Furthermore, it is irrelevant whether WhitServe moved for reconsideration at the Federal Circuit, that a dissenting appellate judge thought *sua sponte* that the patents were ineligible following trial in a separate case, or that a circuit split is not possible because all patent appeals are heard by the same court. Although, the Federal Circuit appears to be at odds with other circuits when it holds dismissal on an defense is permissible even when a complaint does not set forth each and every element of the defense, which as explained above cannot with respect to disputes of

eligibility. *Compare, e.g.,* App. 1a-11a *with Xechem, Inc. v. Bristol-Myers Squibb Co.,* 372 F.3d 899, 901 (7th Cir. 2004) ("Only when the plaintiff pleads itself out of court—that is, admits all the ingredients of an impenetrable defense—may a complaint that otherwise states a claim be dismissed under Rule 12(b)(6)."); *Fernandez*, 883 F.3d at 1299 (dismissal on the pleadings based on an affirmative defense is proper "only when the complaint itself admits all the elements of the affirmative defense by alleging the factual basis for those elements"). In any event, an internal circuit split is inherent when a court's factual determinations on substantive technological questions and commercial success against a plaintiff at the pleading stage are based on judicial whim.

CONCLUSION

The petition for a writ of certiorari should be granted.

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