

No. 22-822

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IN THE  
**Supreme Court of the United States**

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AVERY DENNISON CORPORATION,

*Petitioner,*

v.

ADASA, INC.,

*Respondent.*

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

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**REPLY BRIEF FOR PETITIONER**

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## **CORPORATE DISCLOSURE STATEMENT**

The corporate disclosure statement in the petition for writ of certiorari remains unchanged.

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As the Solicitor General explained in response to recent invitations from this Court, the Federal Circuit “has repeatedly divided in recent years over the content of the abstract-idea exception” to 35 U.S.C. § 101, and this Court should provide “much-needed clarification.” Invitation Br. 11, *Interactive Wearables, LLC v. Polar Electro Oy*, No. 21-1281; *Tropp v. Travel Sentry, Inc.*, No. 22-22 (CVSG Br.). This case—which post-dates those invitations—equally illustrates the need for intervention, provides an even better vehicle for review, and should be part of any upcoming consideration of Section 101 issues.

According to the decision below, ADASA achieved patent eligibility and leverage measured in tens of millions of dollars in royalties by (1) taking an undisputedly abstract idea: assigning a block of leading digits within a serial number, and (2) claiming implementation of that idea in concededly conventional technology. That is precisely the approach this Court has repeatedly foreclosed. Just as “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention,” *Alice Corp. Pty. v. CLS Bank Int’l*, 573 U.S. 208, 223 (2014), neither can mere recitation of routine Radio Frequency Identification Device (RFID) technology. The Federal Circuit’s failure to heed that direction compels further instruction from this Court.

The Court should provide that instruction in this case. Of the three pending petitions concerning Section 101, only this one arises from a precedential Federal Circuit decision. It is the only one where a claim was held eligible. And it involves a field—information management and technology—where the Federal Circuit’s division is especially stark and recurrent, while

the stakes for business and innovation are especially high. *See* Nat’l Retail Found. (NRF) Amicus Br. 2-22; Impinj Amicus Br. 2-17.

The Court could grant review in this case alone. Or if it grants review in *Interactive Wearables*—where the petitioner and the Solicitor General urge reversal of a purportedly erroneous *ineligibility* holding—the Court should also take this case to reverse the Federal Circuit’s erroneous *eligibility* holding. That balanced approach would yield comprehensive, two-way guidance on the exceptionally important question of Section 101’s dimensions, and it would minimize the prospect of further confusion or overcorrection by the Federal Circuit. *Cf.* CVSG Br. 20-21. Alternatively, the Court should hold this case pending resolution of any other Section 101 case that receives a grant, because the Court’s instruction there may predictably shine light here.

#### **A. The Federal Circuit’s Fundamental Error In Construing Section 101 Cries Out For This Court’s Intervention**

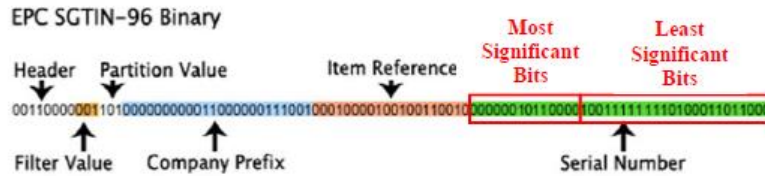
1. For more than 150 years, this Court has emphasized that “well-understood, routine, conventional” elements of a patent claim cannot be considered when assessing whether the claim contains eligible subject matter. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 73 (2012); *see* Pet. 15-20. Otherwise, patentees could easily “circumvent” Section 101’s limitations by reciting “purely conventional” technology “configured to implement” an ineligible concept. *Alice*, 573 U.S. at 222, 224 (citations omitted). For example, a patentee could repackage an abstraction as eligible simply by “adding

the words ‘apply it with a computer.’” *Id.* at 223 (citation omitted). Construing Section 101 to so permit makes “patent eligibility ‘depend ... on the draftsman’s art,’ thereby eviscerating the” statutory subject-matter requirements. *Id.* at 224 (citation omitted).

Yet that is exactly what ADASA attempted and the Federal Circuit endorsed here. ADASA claims “[a]n RFID transponder comprising” six elements. Pet.App. 5a. Nobody disputes that the first four elements recite conventional RFID hardware components: a substrate, antenna, and circuit chip encoded with a serial number. Pet. 21. ADASA’s own specification removes all doubt, noting that a “suitable RFID transponder” can be purchased off the shelf “from Avery Dennison.” C.A.App. 92 col. 24:41-43; *see* NRF Amicus Br. 4.

The dispositive question, then, is whether the remaining elements add patent-eligible subject matter. They do not. As ADASA’s chosen depiction (reproduced below) illustrates, they simply direct in technical-sounding language that one long serial number be mentally reconceived as the combination of two shorter numbers, and that the leading digits—dubbed “most significant”—be designated to correspond with an allocated block. Pet. 21-22. ADASA does not deny that its claim “does not in any way change ... RFID technology” or “improve how RFID information is encoded, transmitted, or scanned” outside the human mind. Pet. 25; *see* NRF Amicus Br. 13-14, 21. The upshot is no more patentable than directing that all telephone numbers be subdivided into two shorter components, and that all numbers allocated to the District of Columbia begin with 202, with the area code dubbed “most significant.” Pet. 22-23.





C.A.App. 230.<sup>1</sup>

In assessing eligibility, the Federal Circuit correctly “[s]et[] aside the conventional RFID hardware components” of ADASA’s claim. Pet.App. 12a. But it veered astray by nevertheless crediting ADASA with inventing a “hardware-based data structure.” *Id.* at 13a. Abstract directions for arranging numbers do not become patent-eligible because they are “hardware-based” any more than abstract business methods become patent-eligible because they are computer-based. *See Alice*, 573 U.S. at 223-26. Indeed, *Alice* expressly rejected reliance on conventional “hardware” as grounds to claim an otherwise-ineligible idea. *Id.* at 226. The panel’s reasoning thus defies this Court’s and paves an illicit trail to patent eligibility that this Court has emphatically blocked off.

2. ADASA defends the decision below without squaring it with this Court’s precedents.

ADASA first gestures toward an argument that not even the Federal Circuit accepted: that its claims are eligible simply because they recite a “machine” or “manufacture,” 35 U.S.C. § 101. BIO 18, 36. But this

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<sup>1</sup> ADASA now disowns its graphic, dismissing it as “simply a demonstrative figure” ADASA created as part of a “tutorial” for the district court. BIO 10-11. But such “tutori[ng]” reveals ADASA’s candid understanding of its own invention. *Id.*

Court has long held—and Congress has long accepted—that “attempts to patent abstract ideas” do not qualify as eligible under Section 101. *Bilski v. Kappos*, 561 U.S. 593, 609 (2010).

ADASA next argues that its claims are eligible because its “patent is on an ‘RFID transponder,’” which is “clearly a technological structure.” BIO 22-23. But the RFID technology in ADASA’s patent is undisputedly conventional, so it cannot support eligibility. *See p. 3, supra*. All that remains is ADASA’s abstract, human reconceptualization to subdivide the serial number, which even ADASA declines to defend as patent eligible. BIO 23.

Finally, ADASA invokes certain statements in the United States’ invitation brief in the other Section 101 cases, including that the abstract-idea exception confines patent protection to “innovations within patent law’s traditional bailiwick of the scientific, technological, and industrial arts.” BIO 18-19 (quoting CVSG Br. 12). Whatever that statement means, it cannot mean what ADASA suggests—that simply reciting a technological product confers patent eligibility—because the brief confirms that a patentee may *not* “claim any principle of the physical or social sciences” just “by reciting a computer system configured to implement the relevant concept.” CVSG Br. 16 (quoting *Alice*, 573 U.S. at 224). To the extent the Solicitor General’s position could be taken to endorse patent eligibility in cases like this, however, it only highlights the need for review. NRF Amicus Br. 12 n.11.

ADASA also relies on the Solicitor General’s suggestion that the Federal Circuit’s Section 101 analysis

has sometimes “placed undue emphasis on considerations of novelty, obviousness, and enablement.” CVSG Br. 11; *see* BIO 3, 19. The Solicitor General accepts, however, that novelty and obviousness “may sometimes overlap with the Section 101 inquiry.” CVSG Br. 17. And this Court has rejected proposals to address claims to conventional technology only under Sections 102 and 103, because that approach would render eligibility bars for laws of nature and abstract ideas “a dead letter.” *Mayo*, 566 U.S. at 89. Crediting ADASA with concededly conventional RFID technology for purposes of establishing eligibility thus contravenes this Court’s clearcut precedent.

### **B. Nothing Impedes This Court’s Review**

ADASA conjures supposed impediments to this Court’s review, BIO 26-32, but none has substance.

1. ADASA suggests a problem of “waiver/abandonment” based on “a complex claim-construction dispute.” BIO 2, 26-28. But the Federal Circuit considered those arguments, found them “unpersuasive,” and “reach[ed] the merits” of the precise Section 101 question presented here, under the settled claim construction. Pet.App. 12a n.2. Even ADASA grudgingly agrees. BIO 27. Because the question presented was squarely “passed upon below,” preservation is beyond doubt. *Verizon Commc’ns, Inc. v. FCC*, 535 U.S. 467, 530-31 (2002) (citation omitted).

Moreover, ADASA’s revisionist (and convoluted) account of the district court proceedings overlooks that the court definitively and repeatedly ruled that ADASA’s asserted patent claim satisfies Section 101. *See* Pet.App. 7a n.1 (explaining the court “effectively

granted summary judgment for [ADASA] as to the validity [i.e., eligibility] claim”) (citation omitted); *id.* at 64a (final judgment stating, “[f]or the avoidance of doubt, a Section 101 defense has been resolved in favor of [ADASA] on summary judgment and in JMOL rulings”). Indeed, ADASA’s own motion in limine, which the district court granted, submitted that the court had “found that under no circumstance could the subject matter of the [p]atent be classified as an abstract idea.” C.A.App. 7398, 9477.

2. ADASA is equally wrong that upcoming district-court proceedings on novelty and obviousness would complicate this Court’s review. BIO 28-30. Section 101 eligibility is “a threshold” issue, *Bilski*, 561 U.S. at 602, that “must precede the determination of whether [a] discovery is, in fact, new or obvious,” *Parker v. Flook*, 437 U.S. 584, 593 (1978). The district court has accordingly confirmed that, if this Court “grants review, then [it will] take the case off the trial docket, if that makes the most sense under the circumstances, and then ... await a decision and ... follow the lead [of this Court].” Pet. 12 (citation omitted). There is thus no risk that the case will be mooted during this Court’s review.

ADASA is also wrong that the Section 101 question before this Court “*is the exact question at issue at trial.*” BIO 29. As ADASA correctly notes elsewhere, eligibility is *separate* from the novelty and obviousness issues slated for trial. BIO 19. While eligibility and novelty questions can overlap, *see* pp. 5-6, *supra*, an abstract idea is unpatentable regardless of whether it is new or old, obvious or non-obvious, *see*

*Mayo*, 566 U.S. at 90. The question presented is just as ripe for decision here as it was below.<sup>2</sup>

3. ADASA further suggests that review is inappropriate because the Federal Circuit did not analyze Step 2 of the *Alice* framework. BIO 2, 31-32. But the court declined to do so only because it erroneously upheld eligibility at Step 1, as ADASA urged. If that posture undermines review, Step 1 mistakes would be insulated from correction by this Court.

In any event, the Step 1 and Step 2 arguments in this case are one and the same. ADASA’s theory of eligibility is that it invented a new kind of RFID transponder with serial numbers encoded in a specified way. *See* pp. 3-5, *supra*. ADASA framed that theory below as a Step 1 argument, Resp. C.A. Br. 13-30, while also asserting (in a page-and-a-half of briefing) that it had established an inventive concept at Step 2 based on “the use of most significant bits within the serial number space of an encoded RFID tag as claimed,” *id.* at 31. Because ADASA is thus simply recycling the same “most significant bits” mantra, this Court could readily address any such argument under Step 2.<sup>3</sup>

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<sup>2</sup> The district court proceedings also involve vacated sanctions (arising from a self-reported discovery lapse for which petitioner has apologized). Pet.App. 26a-30a. ADASA repeatedly highlights that sideshow but does not suggest it could affect the Section 101 question in any way. BIO 1, 38-39.

<sup>3</sup> While ADASA asserts that Step 2 “has caused the most confusion among lower courts,” BIO 31, it cites nothing for that proposition apart from a single denial of en banc rehearing by the Federal Circuit, BIO 31-32, which drew a lone dissent on a procedural point not presented by any pending petition.

### **C. This Case Affords A Superior Vehicle As Compared To Others**

This case is the best vehicle of the three Section 101 petitions now pending. It is the only one that arises from a precedential decision; it most squarely implicates a recurring conflict within the Federal Circuit; and it has the greatest practical import. It is also the only of the three petitions in which the Federal Circuit found a patent eligible. At a minimum, it belongs in any package of grants.

1. ADASA paints this case as a poor vehicle for clarifying Section 101 because the question presented is factbound. BIO 30. But this Court has shaped its Section 101 jurisprudence by deciding the eligibility of particular patent claims, and the Solicitor General recommends reformulating the questions presented elsewhere to “ask simply whether the claimed inventions are ineligible for patent protection under the abstract-idea exception to Section 101.” CVSG Br. 23. This question presented precisely accords.

ADASA also echoes petitioners in the other Section 101 cases in asserting that review here is unnecessary because the petition seeks to reverse an overly permissive reading of Section 101, whereas the real problem supposedly goes in the opposite direction. BIO 30; Pet. Supp. Br. 5, *Interactive Wearables*, *supra*; Pet. Supp. Br. 2-3, *Tropp*, *supra*. But that argument presupposes that the patent holders’ perception of the problem is correct. In fact, judges on both “sides” of Section 101 have clamored for intervention, lest the Federal Circuit’s confused jurisprudence remain hopelessly panel-dependent. *See* Pet. 29-31.

This case exemplifies that dynamic. The panel justified its eligibility holding by relying on several Federal Circuit precedents, Pet.App. 13a-14a, but many Federal Circuit decisions have found materially indistinguishable patent claims ineligible, *see* Pet. 28-29; NRF Amicus Br. 15-19 (further detailing the conflict in this area); Impinj Amicus Br. 4-11 (same). And *this Court's* recent Section 101 cases have all enforced *limits* on patent eligibility. That experience belies ADASA's contention that the only real problem in the Federal Circuit is "decisions finding claims *ineligible*." BIO 30. There are ample indications that, unless this Court balances the scales by granting review in companion cases (as urged by the Solicitor General, Avery Dennison, and amici here), a one-off decision taken as lowering the eligibility bar will be overread and misused by one side of the raging debate.

2. If the Court is inclined to grant plenary review in two cases, it should do so in *Interactive Wearables* (where the Solicitor General contends the Federal Circuit erred in holding a patent claim ineligible) and this case (where the Federal Circuit erred in the opposite direction). This case is a far better vehicle than *Tropp* for elucidating Section 101's limitations.

Notably, *Tropp* arises from a nonprecedential per curiam opinion that devotes much of its five paragraphs to finding key aspects of the petitioner's Section 101 argument forfeited, as it concededly was. *Travel Sentry, Inc. v. Tropp*, 2022 WL 443202, at \*1-2 (Fed. Cir. Feb. 14, 2022); *see* Pet. 11 n.6, *Tropp, supra*. That conceded forfeiture swallows most of the would-be merits under Section 101. The straightforward, forfeiture-focused, summary disposition in *Tropp* affords far less opportunity for this Court to deliver

meaningful guidance than does the precedential, merits-based decision in this case.

Moreover, *Tropp* arises in the relatively idiosyncratic context of luggage locks, whereas this case involves the “information technology [IT] industry,” the most important and recurring field of Section 101 disputes. Impinj Amicus Br. 3; see NRF Amicus Br. 4. Innovation in IT “plays a critical and increasingly important role in the Nation’s economy,” but “is particularly apt to be built on ... abstract ideas.” Impinj Amicus Br. 11. A decision facilitating “[s]table and predictable application of Section 101” to patents like this one would not only benefit the profoundly important IT sector, *id.*, but also many other industries that depend on IT, see NRF Amicus Br. 1-2 (explaining importance to retail and automobile industries). In sum, a decision here would bring valuable clarity for key industries while involving a “comparatively less complex” patent claim akin to those in the other two petitions. CVSG Br. 22.

#### **D. At A Minimum, The Court Should Hold This Petition For Other Section 101 Cases**

If this Court grants review in another Section 101 case, it should at least hold this petition pending the decision in that case and thereafter dispose of it as appropriate. That is the Court’s “typical[]” practice for “petitions presenting questions that will be—or might be—affected by its ruling in [a granted] case.” Stephen M. Shapiro et al., *Supreme Court Practice* § 6.31(E) (10th ed. 2013). And the Court has consistently followed that practice in recent Section 101 cases. *E.g.*, Pet. 33-34.



ADASA asserts that the result in the other pending Section 101 cases “could not possibly” affect the proper disposition of this one. BIO 35. But ADASA could not possibly know that. Given that the parties and amici in the other pending cases seek broad clarification of Section 101, any forthcoming merits decision could well illuminate the eligibility question in this case too. ADASA itself recently sought to extend the deadline for responding to this petition until after the Court resolved the other pending Section 101 petitions—an odd request if ADASA perceived no genuine interplay.<sup>4</sup>

Nor will ADASA suffer “severe prejudice”—or any prejudice—if this Court holds this petition pending resolution of other Section 101 cases. BIO 38. Per the final judgment, royalties on the infringing products continue to accrue, Pet.App. 66a, so the passage of time will not reduce the amount ADASA can collect if the patent on which it sued (but does not practice) is ultimately found enforceable.

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<sup>4</sup> ADASA notes the recent denial of review in *Janke v. Vidal*, 143 S. Ct. 784 (2023) (No. 22-604). BIO 33. But *Janke* was an eight-page, *pro se* petition predicated upon the Court jettisoning its modern Section 101 framework. Pet. 2-8, *Janke, supra*.

**CONCLUSION**

The petition should be granted or held pending resolution of granted Section 101 cases.

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