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No. 16-1047

# In the Supreme Court of the United States

AFFINITY LABS OF TEXAS, LLC,
*Petitioner,*

v.

AMAZON.COM INC.,
AMAZON DIGITAL SERVICES, INC.,
*Respondents.*

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

## PETITION FOR A WRIT OF CERTIORARI

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## QUESTIONS PRESENTED

In *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012) and then again in *Alice v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), this Court set out a two part test for determining the statutory eligibility to patenting under 35 U.S.C. § 101. Since then, the Court of Appeals for the Federal Circuit and district courts have struggled in applying that framework for determining what constitutes an "abstract idea", causing confusion and decisions that are seemingly at odds with each other. Some courts have concluded that long-standing, fundamental evidentiary rules, and principles that apply in regard to all other patent validity challenges, no longer apply in deciding motions brought challenging patent claims under § 101. Petitioner respectfully requests consideration of the following questions to help resolve the confusion in the courts:

The questions presented are:

1) This Court has found the "abstract idea" exception to § 101 to be a doctrine of restraint, limited so far to mathematical algorithms and some business methods directed to fundamental economic practices. The '085 patent claims a new and novel, tangible and concrete media management system for accessing and managing media content on a portable handheld device over a streaming connection. Are patent claims directed to concrete and tangible inventions—which are neither directed to a mathematical

algorithm nor a business method—eligible subject matter under step one of the *Mayo/Alice* framework?

2) Courts are required to draw all factual inferences in the favor of the non-movant in a Rule 12(c) motion for judgment on the pleadings. The second step of the *Mayo/Alice* analysis examines the factual issue of what was conventional and routine at the time of invention, which can overlap with issues of novelty under 35 U.S.C. § 102. Is disregarding limitations of patent claims relating to implementation parameters, or dismissing them as conventional or routine without citing any evidence of such as of the time of the invention, improper in determining whether a claim constitutes an "abstract idea" under the *Mayo/Alice* analysis, particularly at a stage of the case when all factual inferences must be drawn in favor of the patentee?

3) The two-step analysis in *Mayo/Alice* is a question of law based on underlying issues of fact. Each patent claim is a separate property right. This Court requires proof by clear-and-convincing evidence to invalidate each claim in an issued U.S. patent. Does an accused infringer bear the burden of proving each patent claim asserted against it is ineligible under 35 U.S.C. § 101 by clear and convincing evidence?

## PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

There are no parties to the proceedings other than those listed in the caption.

Petitioner Affinity Labs of Texas, LLC has no parent corporations and no publicly held company owns 10% or more of its stock.

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner Affinity Labs of Texas, LLC ("Affinity Labs") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

## OPINIONS BELOW

The opinion of the court of appeals (App. 1a-15a) is reported at 838 F.3d 1266. The order of the court of appeals denying rehearing and rehearing *en banc* (App. 70a-72a) is unreported. The opinion and order of the United States District Court for the Western District of Texas (App. 16a-27a) is unreported. The report and recommendation of the magistrate judge for the United States District Court for the Western District of Texas (App. 28a-69a) is unreported.

## JURISDICTION

The Federal Circuit entered judgment on September 23, 2016 and denied rehearing on November 30, 2016. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 101: "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."

35 U.S.C. § 282: "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity."

## INTRODUCTION

This case is emblematic of court decisions post-*Alice* that are dramatically expanding the § 101 doctrine too far and too wide and with no sound justification. Typical errors are present including finding an "abstract idea" with no rational basis for explaining what makes an entire claim at issue abstract, as opposed to the "purpose" or "objective" of the claim or some similar concept divorced from the actual claim language; conflating § 101 with §§ 102, 103 and/or 112; and making numerous factual findings on a 12(c) motion that are contrary to the limited record available to the court. The district courts have been inundated with § 101 motions in patent cases. Seemingly irreconcilable decisions regarding what is "abstract" are being churned out by the district courts and the Federal Circuit, causing great uncertainly in the inventive community about the patent system.

This Court treaded carefully when expanding its § 101 jurisprudence to include some business methods, and cautioned against a broad application of this judicially-created exception lest it swallow all of patent law. Nevertheless, the Federal Circuit has

adopted an analysis that would result in finding an abstract idea in most patents, and would completely confuse § 101 with §§ 102, 103 and 112.

This should not be a § 101 case because the claims recite a "machine" under § 101. As this Court noted in *Alice*, "[t]here is no dispute that a computer is a tangible system (in § 101 terms, a "machine"), or that many computer-implemented claims are formally addressed to patent eligible subject matter." *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2358-59 (2014). In this case, the claims recite hardware, software, and network elements for implementing a particular type of media management system providing new functionality for solving a technical shortcoming in the prior art. It is not a business method, not merely a mathematical formula, not merely sets of data, not a method of organizing human activity, and it cannot be done with a pencil and paper. In short, it is not abstract.

To compound the overbroad application of this Court's § 101 jurisprudence, the Federal Circuit's decisions generally focus on one or two "representative" claims in a patent-at-issue. As in this case, the Federal Circuit's § 101 analysis then effectively shifts the burden to the patentee to prove the subject matter eligibility of the remaining claims.

The practice of recent Federal Circuit decisions shifting the burden to the patentee to *prove* patent eligibility is at odds with longstanding guidance from this Court. It is black letter law that the burden of proving invalidity is on the accused infringer. *See Microsoft Corp. v. i4i Ltd. P'ship*, 131

S. Ct. 2238, 2242 (2011) (citing 35 U.S.C. § 282). This Court's decision in *i4i* would seem to have settled the issue, but the opinions of the Federal Circuit are largely silent on the burden of proof in questions of patent eligibility under § 101. *See CLS Bank Int'l v. Alice Corp.*, 717 F.3d 1269, 1284 (Fed. Cir. 2013) (en banc). Perhaps this is because up until recently, § 101 was largely the province of the Patent Office—not an issue commonly raised as a litigation defense to patent infringement. *See, e.g.*, Dennis Crouch, Hricik: Why Section 101 is Neither a "Condition of Patentability" nor an Invalidity Defense, PATENTLY-O (Sept. 16, 2013), http://patentlyo.com/patent/2013/09/hricik-why-section-101-is-neither-a-condition-of-patentability-nor-an-invalidity-defense.html [https://perma.cc/TZ2G-CABT] (collecting arguments). In any event, an accused infringer's burden to prove invalidity should be no different under § 101 than under the other patent validity requirements of the Patent Act.

This case is also an example of one of the many post-*Alice* decisions dismissing patent infringement claims at the pleadings stage of litigation where the factual record is undeveloped. Despite fundamental civil procedural rules and precedents of this Court indicating that all factual inferences must be drawn in favor of non-moving patentees at such stages of a case, the lower court here found it was acceptable to make unsupported fact findings against Petitioner simply because other Federal Circuit panels appear to have done so on several occasions since *Alice*.

This case presents an appropriate vehicle to clarify that basic and long-standing procedural or evidentiary rules and patent doctrines may not simply be jettisoned in the context of § 101 motions. Lower courts and patent system users could greatly benefit from further guidance from this Court on how to differentiate ineligible "abstract idea" patent claims from a patent claim that is a patent-eligible application of an abstract idea. The petition for a writ of certiorari should be granted.

## STATEMENT

### A. Factual Background

Petitioner Affinity Labs of Texas, LLC ("Affinity Labs"), is the owner of U.S. Patent No. 8,688,085 ("the '085 patent"). The '085 patent contains 18 different claims: 3 independent claims and 15 dependent claims, each reciting various features and implementation parameters for a specific type of media system solving problems related to accessing, managing, and communicating digital audio and video content. J.A.[1] at A65-A66, Col. 18 l. 23 – col. 20 l. 65. Affinity Labs filed a complaint for infringement of the '085 patent against Respondents Amazon.com Inc. and Amazon Digital Services, Inc. (collectively "Amazon"), as Amazon operates a propriety media management system using a website and custom application for smartphones and tablets. J.A. at A82.

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[1] "J.A." refers to the Joint Appendix filed by the parties as part of the appellate record, found at *Affinity Labs of Texas, LLC v. Amazon.com Inc., et al.*, no. 15-2080, Dkt. 40 (Fed. Cir.).

In 2000—before the iPod, iPhone, iTunes, or the App Store, inventors Russell White and Kevin Imes conceived of a media management system for accessing and managing media content on a portable handheld device over a streaming connection. The system and application recognized the growing need for consumers to remotely access video and audio content on-the-go. J.A. at A60 at 7:20-25; *see also generally* A552 at ¶ 14. The solution—a media management and distribution system that allowed streaming of a rich collection of media to a user, so that the user can access and play that media on a mobile device—was described in a comprehensive patent application, No. 09/537,812 (the '812 Application), filed with the USPTO on March 28, 2000. *See* J.A. at A40, A79 at ¶17. The USPTO allowed the current patent claims in 2014 over more than 600 prior art references, after the addition of claim limitations reciting the downloadable application. *See* J.A. at A40, A552 at ¶ 13.

The use of Affinity Labs' invention is now ubiquitous. But that was not always the case. Not until 2008—eight years after Mr. White and Mr. Imes conceived of their invention—did Respondent Amazon release a mobile application that could receive media content. J.A. at A552 ¶ 9. Three years later, Amazon released the Android Cloud Player. *Id.* Affinity Labs, therefore, brought suit to enforce its fundamental right in the '085 patent—the right to exclude Amazon from practicing the claims of the '085 patent.

### B. District Court Proceedings

Shortly after answering the Complaint, Amazon moved for judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c) on the basis that the asserted patent failed to claim patentable subject matter under 35 U.S.C. § 101. App. 28a.

The parties did not stipulate to a representative claim. For the purposes of the motion for judgment on the pleadings, the magistrate judge focused on claim 14. Claim 14 recites:

> A media system, comprising:
>
> a network based media managing system that maintains a library of content that a given user has a right to access and a customized user interface page for the given user;
>
> a collection of instructions stored in a non-transitory storage medium and configured for execution by a processor of a handheld wireless device, the collection of instructions operable when executed: (1) to initiate presentation of a graphical user interface for the network based media managing system; (2) to facilitate a user selection of content included in the library; and (3) to send a request for a streaming delivery of the content; and
>
> a network based delivery resource maintaining a list of network locations for at least a portion of the content, the

> network based delivery resource configured to respond to the request by retrieving the portion from an appropriate network location and streaming a representation of the portion to the handheld wireless device.

App. 30a-31a.

Without a hearing, the magistrate judge issued a report recommending granting Amazon's motion for judgment on the pleadings. App. 28a-69a. The magistrate judge found that claim 14 failed the first step of the *Alice* test because, after taking a "quick look" at the claim, the apparent "purpose" of the claim recited at a "reasonably high level of generality"—"delivering selectable media content and subsequently playing the selected content on a portable device"—was a "longstanding commercial practice" as exemplified by the transistor radio and television. App. 44a-45a, 50a.

At the second step of the *Alice* test—the magistrate judge applied a "technological arts" test, requiring that the "claims must 'not only [1)] describe a technological objective, but [2)] set out a precise set of instructions for achieving it.'" App. 58a. (citing *Ultramercial Inc. v. Hulu, LLC*, 772 F.3d 709, 721-22 (Fed. Cir. 2014) (Mayer, J. concurring) ("*Ultramercial III*")). Under the magistrate judge's reasoning, the '085 patent failed the test because the claim "limitations ... do not identify any specific functionality or explain 'how'" customization of a claimed user interface is to be achieved. App. 59a.

Although the magistrate judge acknowledged that the legal issue of invalidity under § 101, "may contain underlying factual issues," App. 41a (citation omitted), he indicated § 101 "eligibility questions mostly involve general historical observations, the sort of findings routinely made by courts deciding legal questions." App. 41a n.5.

The district court adopted the magistrate judge's report and recommendation and issued an explanatory order overruling Affinity Labs' objections. App. 16a-27a. The district court overruled Affinity Labs' objection that the magistrate judge made unsupported factual determinations regarding what was conventional, routine, or well-known at the time of the invention. App. 23a-24a. The district court noted that the Federal Circuit had affirmed decisions invalidating patents under § 101 at the motion to dismiss stage of cases. App. 21a. No account was given to the expert testimony submitted by Affinity Labs in this case, or the PTO's finding that particular technological limitations of the '085 patent were novel and non-obvious. The district court ultimately characterized the magistrate judge's fact findings as "taking judicial notice." App. 24a. But the magistrate judge cited to no public records or other support for his findings that one would expect to see when judicial notice is taken. Nor did the magistrate judge indicate he was taking judicial notice of all the claim elements he concluded were conventional, well-known and routine concepts. *See* App. 57a-61a.

### C. The Federal Circuit's Decision

A panel of the United States Court of Appeals for the Federal Circuit affirmed the district court's ruling. App. 15a. Without explanation, the panel determined that the '085 patent claims were directed to "delivering user-selected media content to portable devices." App. 7a. The panel, citing to no expert testimony or factual findings, determined that "[t]he patent, however, does not disclose any particular mechanism for wirelessly streaming content to a handheld device" (App. 9a.), and accordingly an "abstract idea" for the purposes of the § 101 analysis. *Id.* Setting aside the fact that functional claiming is allowed under the patent statute, the panel buttressed its decision noting that "[t]he purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea." App. 9a.

Moving to the second step of the *Alice* analysis, the panel again characterized claim 14 as "written in largely functional terms." App. 13a. The panel found that features such as "network streaming" and a "customized user interface" were "described and claimed generically rather than with the specificity necessary to show how those components provide a concrete solution to the problem addressed by the patent." *Id.* The panel ignored expert testimony evidence submitted by Affinity Labs—at the pleadings stage—in making this ruling. In addition, it failed to account for whether any combination of the claimed features could nonetheless be inventive.

The panel treated independent claim 14 of the '085 patent as representative of all claims. App. 3a at n.2. The panel's decision as to claim 14 thus created a presumption of ineligibility as to the remaining claims—shifting the burden to Affinity Labs of advancing argument and evidence that the remaining claims were eligible. App. 3a at n.2.

The Federal Circuit denied Affinity Labs' petition for rehearing and rehearing *en banc*. App. 70a-72a.

## REASONS FOR GRANTING THE PETITION

### I. The Federal Circuit's Decision Conflicts with this Court's Precedent.

This Court in *Alice* acknowledged that it "tread[s] carefully in construing th[e] exclusionary principle lest it swallow all of patent law." 134 S. Ct. at 2354. This is because "[a]t some level, all inventions embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." *Id.* (quotation and alterations from original omitted). Also limiting this exclusionary doctrine, this Court has emphasized that "§ 101 patent-eligibility is only a threshold test:" The Patent Act sets forth more stringent standards for patentability beyond § 101, such as § 102 (novelty), § 103 (non-obviousness), and § 112 (particularly described). *See Bilski v. Kappos*, 561 U.S. 593, 602 (2010) (emphasis added).

Yet post-*Alice*, the Federal Circuit has adopted a seemingly unbounded and all-encompassing

approach to the limits of an "abstract idea." This approach is not dependent on whether a practice inherently requires concrete or tangible structures to implement or not. The application of the Federal Circuit's approach is thus subject to abuse and creates confusion and uncertainty, especially if actual claim limitations defining implementation parameters of inventions can be ignored or swept aside in a § 101 analysis. *See, e.g.*, App. 7a-9a (ignoring claimed parameters for the claimed media management system).

Post-*Alice* subject matter eligibility analysis, as was done in this case, begins by analogizing inventions to some pre-information age endeavor by stripping away any hardware or software limitations as "generic" or "conventional." *See* App. 10a-11a (equating the claimed invention to "dial-a-prayer and dial-a-joke"). The result is that almost any invention can be categorized as directed to a "well-known and longstanding commercial practice," (App. 54a), or "well-known business practices." App. 10a (citing *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1338 (Fed. Cir. 2016).) As the magistrate judge concluded in this case, such an analysis will lead to a finding of an abstract idea in almost every case. *See* App. 54a.

The concept of an abstract idea is not so broad. This Court has found two—and only two—types of claims abstract under § 101: mathematical algorithms and some business methods directed to fundamental economic practices. *See Gottschalk v. Benson*, 409 U.S. 63 (1972); *Parker v. Flook*, 437 U.S. 584 (1978); *Bilski*, 561 U.S. at 612; *Alice*, 134 S. Ct.

at 2356. These fundamental principles, this Court has explained, are unpatentable not just because they are "longstanding," but because they are directed to "organizing human activity." *See Alice*, 134 S. Ct. at 2357. In other words, fundamental economic practices are quintessential examples of abstractions because they exist in the ether and are performed by people without regard to any tangible or concrete structure or form. Mathematic algorithms are equally abstract.

The simple teaching from *Alice* is that applying abstract economic principles or mathematical algorithms, on a computer, without more, is not patentable. While *Alice* characterized hedging in *Bilski* as a "longstanding commercial practice," *Alice*, 134 S. Ct. at 2356, the key to *Bilski* was that the ineligible abstract idea of hedging is "a method of organizing human activity." *Id.* at 2357.

Searching for a pre-information age analogy or looking to whether a claim can be related to a longstanding practice will almost always result in an abstract idea. As this Court has recognized, innovation occurs through incremental improvements to long standing or conventional technologies. *See, e.g., KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418-19 (2007) ("[I]nventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known."); *Park v. Booth*, 102 U.S. 96, 102 (1880) ("Modern inventions very often consist merely of a new combination of old elements or

devices, where nothing is or can be claimed except the new combination."). Of course, if a claim is actually drawn—as not an improvement—to a longstanding practice it should be invalid under 35 U.S.C. § 102. But § 101 should be a separate analysis from validity over prior art.

Moreover, a proper § 101 analysis cannot involve stripping away or ignoring the complete limitations that define the claim. Any subject matter eligibility analysis must focus on the actual claim language that defines the scope of an invention. *See, e.g.*, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373-74 (1996). A claimed invention cannot be reduced to an "essential element," "gist" or "heart." *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 345 (1961). Yet the Federal Circuit here sanctioned the district court's approach of ignoring the vast majority of the claim limitations to instead consider a "purpose" of a claim to determine if it is an "abstract idea" to comply with the first step of the *Alice* framework. *See* App. 5a-7a, 10a. But such a circular exercise makes step one a meaningless non-sequitur as a "purpose" is by definition an abstract idea. *See Le Roy v. Tatham*, 55 U.S. 156, 175 (1853) ("A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.").

Under such an interpretation of step one, the second step of *Alice* thus becomes all important. The actual claim limitations should not be ignored. As this Court in *Alice* directed, at step two, one must

"ask, what *else* is there in the claims . . . [by] consider[ing] the elements of each claim both individually and as an ordered combination to determine whether [those] elements transform the nature of the claim into a patent-eligible application." 134 S. Ct. at 2355 (internal quotation and citation omitted) (emphasis added). Yet in this case the district court dismissed all the actual concrete and tangible hardware, software and network claim elements defining the specific claimed media management system by calling them "generic, routine, and conventional" despite citing no evidence to actually support the conventionality of any of the specific claim elements, let alone the claim as a whole, as of the critical date in 2000. App. 23a-24a, 56a-58a. The Federal Circuit made the same error. App. 10a-11a. Petitioner, as the non-movant, was entitled to have factual inferences drawn in its favor.

A proper § 101 analysis should not violate fundamental civil procedure and evidentiary principles. District courts should not make, nor should the Federal Circuit make or allow district courts in patent cases to make, fact findings at the pleadings stage of the case contrary to inferences that as a matter of law must be drawn in a non-moving patentee's favor.

Before this Court's decision in *Alice* no patent had been found ineligible under § 101 on the pleadings alone. The Federal Circuit even rejected a challenge in *Ultramercial II* explaining that § 101 "is rife with underlying factual issues," as "[a]lmost by definition, analyzing whether something was

'conventional' or 'routine' involves analyzing facts." *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1339 (Fed. Cir. 2013) ("*Ultramercial II*"), *vacated and remanded*, 134 S. Ct. 2870 (2014)). Indeed, the justification for the abstract-idea exception is "one of preemption." *Bilski*, 561 U.S. at 602. Any such analysis—how much of the field is "tied up"—is a classic issue of fact. *See Ultramercial II*, 722 F.3d at 1339. Upon remand from this Court following *Alice*, a different panel then affirmed the patent's ineligibility on the pleadings. *Ultramercial III*, 772 F.3d 709. This new panel provided no explanation for why it was now able to resolve these factual disputes on the pleadings.

Nothing in *Alice*, however, changed longstanding principles that factual questions undergird the § 101 analysis. *See Mayo*, 132 S. Ct. at 1304 ("We recognize that, in evaluating the significance of additional steps, the § 101 patent eligibility inquiry and, say, § 102 novelty inquiry might sometimes overlap."). Nor did *Alice* change the fact that at the pleadings stage, these facts must be resolved in favor of the non-movant. *See Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007).[2]

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[2] Findings regarding the conventionality, as of the invention date of a patent at issue, of patent elements or claims are adjudicative facts that must be made in accordance with the rules of civil procedure and evidence; unsupported fact findings cannot be justified in this context as an act of legislative factfacting. *See* Fed. R. Evid. 201(a) and its 1972 advisory committee notes; *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 810-11 (1986) (acknowledging that even if ultimate question of patent validity is one of law, basic factual inquiries

The Federal Circuit contradicted itself with respect to fact questions raised by Affinity Labs. In a companion case, the same panel noted that in step two of the *Alice* analysis, it must look to see if there are any "additional features" in the claims that are more than "well-understood, routine, conventional activity." *Affinity Labs of Tex. v. DIRECTV, LLC*, 838 F.3d 1253, 1262 (Fed. Cir. 2016); *see also id.* at 1261 ("any novelty in implementation of the idea is a factor to be considered only in the second step of the *Alice* analysis"). Yet, in its "step two" analysis in this case, the panel dismissed the need to consider the novelty of streaming content to a portable device, saying "the eligibility finding does not turn on the lack of novelty of the claim; it turns on the fact that the claim is drawn to any embodiment of an abstract idea." App. 9a n3.

Novelty—"inventive concept"—in a specific "element or combination of elements" of the actual claim should be "sufficient to ensure that a patent in practice amounts to more than a patent upon the [abstract idea/purpose] itself." *See Alice*, 134 S. Ct. at 2355. If step two of the § 101 analysis is to "overlap" a § 102 inquiry because the novelty versus conventionality of elements and the claim as a whole must be considered, *Mayo*, 132 S. Ct. at 1304, then courts must follow the same rules of evidence and

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underlying the issue must be made in accordance with Federal Rule of Civil Procedure 52(a)); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 840 (2015) (making similar acknowledgement in rejecting argument factfinding underlying legal question of construction of patent claims is akin to factfinding done in statutory interpretation context).

civil procedure that are applied to prove invalidity under § 102 of patent claims issued by the USPTO. This was not done here—which should not become a practice among district courts and the Federal Circuit.

An invalidity defense to patent infringement must be proven by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). As noted above, fact issues undergird the § 101 analysis. Here, the lower courts improperly resolved factual disputes against Petitioner on the pleadings, and did so without requiring clear and convincing evidence.

## II. The Federal Circuit's Decision Conflicts with Settled Principles of Patent Law.

The Federal Circuit's decision also conflicts with the fundamental principles of patent law that each patent claim is a separate property right and that it is the burden of the challenger to prove that each claim is invalid by clear and convincing evidence. This Court has long-held that each patent claim is its own property right. *Leeds & Catlin Co. v. Victor Talking Mach. Co.*, 213 U.S. 301, 319 (1909); *see also Markman*, 517 U.S. at 373 (each patent claim defines the bounds of an invention). "[T]he patent does not stand or fall as a unity." *Leeds*, 213 U.S. at 319.

It is also well-settled law that when an issue of patent validity as to a claim is contested, it is the challenger that bears the burden of proving invalidity. 35 U.S.C. § 282. The burden is one of clear

and convincing evidence with respect to each claim that is challenged. *i4i*, 131 S. Ct. 2238; *Leeds*, 213 U.S. at 319.

When faithfully applying these principles, the Federal Circuit has found that the burden does not then shift to a patentee to prove validity of all the patent claims if only one has been found invalid. *See Circuit Check, Inc. v. QXQ Inc.*, 795 F.3d 1331, 1337 (Fed. Cir. 2015). In *Circuit Check*, the Federal Circuit found that a district court erred in invalidating two dependent claims on the basis that "Circuit Check, the patentee, did not explain why the additional limitations rendered the claims non-obvious." *Id.* The court reasoned that this was because a patentee does not bear the burden "to disprove invalidity." *Id.* Notably, the accused infringer in *Circuit Check* provided no evidence that the additional limitations were trivial or present in the prior art, thus the dependent claims could not simply be invalidated like their independent counterparts. *Id.*

Here, the Federal Circuit's decision is at odds with this Court's precedent and its application in *Circuit Check*. As in the erroneous district court decision in *Circuit Check*, the Panel required patentee Affinity Labs to articulate why the additional limitations in the dependent claims were significant for patent eligibility. App. 3a n.2 ("Although Affinity has not conceded that claim 14 is representative of the remaining claims, it has not shown how independent claims 1 and 8 differ materially from claim 14. . . . Because Affinity has

failed to present 'any meaningful argument for the distinctive significance of any claim limitations' other than those in claim 14, . . . we treat claim 14 as representative of all the claims for purposes of this appeal.") Thus the panel provided no analysis of the dependent claims in its opinion. *See generally* App. 1a-15a.

Notwithstanding the fact that Affinity Labs did advance argument that the dependent claims provided inventive combinations of additional technical limitations, shifting the burden of proving validity to Affinity Labs was against long settled law that the burden of proving invalidity is on the accused infringer and each claim is a separate property right. *See Leeds*, 213 U.S. at 319, *Circuit Check*, 795 F.3d at 1337.

There is no principled reason why this longstanding rule should be abrogated in the context of patent eligibility.

## III. Proper Application of § 101 Is a Frequently Recurring and Important Issue of Federal Patent Law.

The questions presented in this petition recur frequently and warrant this Courtss attention. In only the two years since this Court's decision in *Alice*, lower courts have been faced with more than 500 motions to invalidate patents under § 101. Jasper L. Tran, *Two Years After* Alice v. CLS Bank, 98 J. PAT. & TRADEMARK OFF. SOC'Y 1, 6 (2016). Section 101 is no longer a "minor" issue affecting only a small number of cases. *See id.* at 4-6. Since

2015, at least sixteen Petitions for Certiorari have raised issues related to § 101.

Two years after *Alice*, lower courts are still struggling with application of a subject matter eligibility test. *See, e.g.*, *Intellectual Ventures I, LLC v. Canon Inc.*, 143 F. Supp. 3d 143, 171-72 (D. Del. 2015) ("[I]n reviewing post-*Alice* cases such as *DDR* and *Intellectual Ventures*, the court is struck by the evolution of the § 101 jurisprudence, from the complete rejection of patentability for computer programs to the almost complete acceptance of such, to the current (apparent) requirements[.] . . . In other words, even though most of the patent claims now being challenged under § 101 would have survived such challenges if mounted at the time of issuance, these claims are now in jeopardy under the heightened specificity required by the Federal Circuit post-*Alice*.") Judge Forrest's recent observations highlight the precise challenges and problems with the Federal Circuit's interpretation of *Alice*:

> [V]irtually any invention could be described as simply addressing that which others long ago addressed: the Socratic method to acquire information; quills, pens, typewriters, to create written text; corkscrews to open wine bottles; and clay jugs with covers to prevent spills. This reductionist simplicity may obscure underlying complexity, and it may jeopardize the innovative improvements upon longstanding accomplishments that

> patents are intended to incent. Patent law protects the builder of a better mousetrap, even if his or her invention could be described as, simply, a mousetrap—or as a "method to catch a mouse."
>
> Many recent motions seeking determinations of patent ineligibility suffer from such reductionist simplicity—from characterizing as simply a mousetrap that which is in fact a better mousetrap . . . .
>
> In short, the current fad of ineligibility motions in patent cases has, in certain respects, gotten ahead of itself. There are instances in which a patent—or a single claim—may truly be ineligible under 35 U.S.C. § 101. But courts should make such determinations on a proper record and should not confuse such determinations with the inquiries properly made under §§ 102 or 103—the sections of the patent law governing novelty and obviousness.

*Verint Sys. v. Red Box Recorders Ltd.*, 14-cv-5403 (KBF), 2016 U.S. Dist. LEXIS 169375 *2-3 (S.D.N.Y. Dec. 7, 2016). All of Judge Forrest's observations apply with equal force to this case. This petition, therefore, is the prime example to address the challenges and problems with the Federal Circuit's interpretation of *Alice*.

The Federal Circuit's own precedent is hopelessly inconsistent and unclear. In *Enfish*, the Federal Circuit admonished the district court's § 101

analysis: "describing the claims at such a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule." *Enfish*, 822 F.3d at 1337. Nonetheless, that is what the Federal Circuit and district court did in this case. *See* App. 4a-7a (reducing the claimed invention to the "concept of delivering user-selected media content to portable devices").

The *Enfish* panel also acknowledged the non-physical nature of the patent-eligible claims directed towards a relational database: "[m]uch of the advancement made in computer technology consists of improvements to software that, by their very nature, may not be defined by particular physical features but rather by logical structures and processes." *Id.* at 1339. Yet in the subsequent *TLI* decision, the Federal Circuit appeared to take just the opposite view: "The specification does not describe a new telephone, a new server, or a new physical combination of the two. The specification fails to provide any technical details for the tangible components, but instead predominately describes the system and methods in purely functional terms." *TLI Communs. LLC v. AV Auto., L.L.C. (In re TLI Communs. LLC Patent Litig.)*, 823 F.3d 607, 612 (Fed. Cir. 2016). It is thus no surprise that former Chief Judge of the Federal Circuit, the Hon. Paul Michel, has remarked that "after reading [the Federal Circuit's decision in] *Enfish LLC*, I conclude that, although labouring mightily to give clarity and administrability to *Mayo/Alice*, the court has failed to impart meaningful predictability to the vast

expanse of computer or software-related patent claims." IAM, Some hope for software patents in the US after the CAFC's *Enfish* decision, but this is no game-changer (May 13, 2016), available at: http://www.iam-media.com/blog/detail.aspx?g=96d9253e-7c06-418c-b3ec-3251497a7eac.

The Federal Circuit's *BASCOM* decision is also irreconcilable from the case at hand. In *BASCOM*, the Federal Circuit recognized that "an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces." *BASCOM Glob. Internet Servs. v. AT&T Mobility LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016). Yet the Federal Circuit's decision in this case focused on the individual elements of claim 14 of the '085 patent, but provided no substantive analysis of whether in 2000, at the time of the invention, the ordered combination of hardware and software elements was routine, conventional, or well-known. *See* App. 13a-15a.

The confusion and conflicting decisions in the lower courts that have developed since *Alice* is disrupting innovation. "[T]he uncertainty of administrative and judicial outcome and the high cost of resolution are a disincentive to both innovators and competitors." *CLS Bank*, 717 F.3d at 1321 (Newman, J., concurring in part, dissenting in part); *see also* Lidiya Mishchenko, Alice: *Through the Formalist Looking-Glass*, 97 J. PAT. & TRADEMARK OFF. SOC'Y 214, 216 (2015) ("The uncertainty of patent protection rendered by the

*Alice* decision is especially dangerous for [the software industry], where intellectual property is sometimes the most valuable asset a company owns.")

The uncertainly that has arisen post-*Alice* is detrimental to the patent system and nation. "Reliable application of legal principles underlies the economic incentive purpose of patent law, in turn implementing the benefits to the public of technology-based advances, and the benefits to the nation of industrial activity, employment, and economic growth." *CLS Bank*, 717 F.3d at 1321 (Newman, J., concurring in part, dissenting in part). "In the area of patents, it is especially important that the law remain stable and clear." *Bilski*, 561 U.S. at 613 (Stevens, J., concurring). Innovation thrives when there is predictability and consistent application of patent laws.

## CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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