

No. 18-415

IN THE
Supreme Court of the United States

HP INC., F/K/A HEWLETT-PACKARD COMPANY,
Petitioner,

v.

STEVEN E. BERKHEIMER,
Respondent.

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

**BRIEF OF ASKELADDEN LLC AS
AMICUS CURIAE IN SUPPORT
OF PETITIONER**

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November 14, 2018

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INTEREST OF *AMICUS CURIAE*¹

Askeladden LLC is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching the RTP® network, a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions. The Clearing House also provides informed advocacy and thought leadership on critical payments-related issues facing financial institutions today. The Clearing House is owned by 25 financial institutions and supports hundreds of banks and credit unions through its core systems and related services.

Askeladden founded the Patent Quality Initiative (“PQI”) as an education, information, and advocacy effort to improve the understanding, use, and reliability of patents in financial services and elsewhere. Through PQI, Askeladden strives to improve the patent system by challenging the validity of low quality

¹ Pursuant to Rule 37.6, Askeladden LLC affirms that no counsel for a party authored this brief in whole or in part, and no one other than Askeladden LLC or its counsel made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel of record for all parties received notice of Askeladden’s intention to file this brief. The parties have filed blanket consent for the filing of amicus briefs.

patents and by promoting improved patent holder behavior, while also supporting effective intellectual property practices and improved innovation rights. To that end, Askeladden regularly files amicus briefs in cases presenting important issues of patent law.

This is one of those cases. The Federal Circuit has once again departed from this Court’s approach to patentability under § 101 of the Patent Act. In a series of recent decisions over the last ten years, this Court has set out to clarify the test for patentability, culminating in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014). In *Alice*, the Court reaffirmed the “framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Id.* at 2355. Courts must proceed in a two-step process: first, they “determine whether the claims at issue are directed to one of those patent-ineligible concepts,” *id.* (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–77 (2012)), and, second, if so, whether the patent claims an “inventive concept,” *id.* (quoting 566 U.S. at 72). The Court had to step in to confirm the proper approach to § 101 because the Federal Circuit had badly fractured on how to apply the patentability test under § 101. *Id.* at 2354.

This case demonstrates that the Federal Circuit is once again hopelessly divided on aspects of the patentability test under § 101. As one judge explained concurring in the denial of rehearing, “the law needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are § 101 problems. . . . Section 101 issues certainly require attention beyond the power of” the Federal Circuit. Pet. App. 99.

The particular issue here concerns the very nature of the § 101 inquiry: whether it is a purely legal question, or whether it has factual elements. The significance of this issue is obvious. If the questions are purely legal, they can be resolved at the outset of litigation. If not, then the distraction and expense of patent litigation will increase exponentially. That is why the Court's error here warrants this Court's immediate attention.

Moreover, the decision below departed from this Court's consistent approach to that issue, which has treated the issue as one of law. The concurrences and dissents from the denial of rehearing make plain that the Federal Circuit is once again unable to reach agreement on the proper approach. And the court of appeals' failure to correct the panel's decision leaves this Court as the last bulwark against the harm to the very purpose of § 101 that will result. The Federal Circuit's new rule contravenes the approach consistently taken by this Court and will upset the function of § 101 as a "threshold" determination.

At bottom, the Federal Circuit has once again taken the standards for patentability under § 101 down the wrong path. The importance of the question presented warrants this Court's intervention to put § 101 once again back where it belongs. The Court should grant the petition.

REASONS FOR GRANTING THE PETITION

I. THE FEDERAL CIRCUIT'S DECISION CONTRAVENES PRINCIPLES OF THIS COURT'S § 101 JURISPRUDENCE.

Certiorari is warranted because the Federal Circuit has departed from this Court's teachings on the nature

of the § 101 analysis and, in doing so, upset the long-standing approach to patentability.

a. As the Petition explains, the Federal Circuit in this case departed from the well-established principle that the entire § 101 inquiry is a legal determination by an agency or court. Pet. 11–16. The court of appeals did this in two steps: First, the court held that a critical inquiry in assessing patentability at the second step of the 2-part test is “[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent.” Pet. App. 16; *id.* at 14 (same). Second, the court held that this “is a factual determination” that “must be proven by clear and convincing evidence.” *Id.* at 14–16. In essence, the decision created a new test under § 101, Pet. 16–18, and this test has no foundation in this Court’s decisions applying § 101.

This Court has regularly indicated that application of the § 101 test is a question of law solely for courts. See *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 590 (2013) (“We must apply this well-established standard to determine whether Myriad’s patents claim any ‘new and useful . . . composition of matter,’ § 101, or instead claim naturally occurring phenomena.”); see also *Alice*, 134 S. Ct. at 2355 (“We must first determine whether the claims at issue are directed to a patent-ineligible concept.”); *id.* at 2357 (“we must examine the elements of the claim to determine whether it contains an ‘inventive concept’”); *Mayo*, 566 U.S. at 77.

This is consistent with the nature of the § 101 test. At step one, the particular issue is “whether the claims at issue are directed to a patent-ineligible concept.” *Alice*, 134 S. Ct. at 2355. The character and meaning of patent claims “[o]n their face” have long been questions of law. See *Teva Pharm. USA, Inc. v. Sandoz*,

Inc., 135 S. Ct. 831, 840–41 (2015) (reviewing “the patent claims and specifications, along with the patent’s prosecution history” is “solely . . . a determination of law”); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (reviewing patent claims, like “construction of written instruments” is for judges, rather than juries).

The second step likewise involves determining the character and meaning of the claims. As the Court explained, courts at this step “must examine *the elements of the claim* to determine whether it contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 566 U.S. at 72, 79–80). Accordingly, the entire § 101 inquiry is focused on the meaning and import of the patent claims, an inquiry that has long been recognized as purely legal.

b. Five judges on the Federal Circuit, including the three judges from the panel in this case, asserted that certain aspects of this inquiry may involve underlying factual issues. They maintained that “whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time” is a quintessential “historical fact.” Pet. App. 87–88. However, this misunderstands the nature of any factual inquiry in the § 101 analysis.

Any facts associated with the §101 inquiry are “legislative”—as opposed to “adjudicative”—facts. Fed. R. Evid. 201(a) advisory committee’s notes to 1972 proposed rules. Adjudicative facts, on one hand, are those involving the dispute between the “immediate parties—who did what, where, when, how, and with what motive or intent.” *Id.* These facts “normally go to the jury in a jury case.” *Id.* Legislative facts, on the other hand, are those that transcend the particular dispute

and are relevant “to legal reasoning and the lawmaking process, whether in the formulation of a legal principle or ruling by a judge.” *Id.*; see Robert E. Keeton, *Legislative Facts and Similar Things: Deciding Disputed Premise Facts*, 73 Minn. L. Rev. 1, 11 (1988); Allison Orr Larsen, *Confronting Supreme Court Fact Finding*, 98 Va. L. Rev. 1255, 1256-57 (2012). Because legislative facts inform a court’s function in deciding and formulating a legal principle, they are for the court alone.

Moreover, legislative facts need not be introduced through traditional evidentiary proceedings or subject to formal requirements. See Fed. R. Evid. 201(a) advisory committee’s notes to 1972 proposed rules (legislative facts should not be restricted by traditional or formal requirements); Keeton, *supra*, at 22. Indeed, this Court often considers such facts whether or not they have been considered by a trial court or even introduced into the record. Larsen, *supra*, at 1257–59; see, e.g., *Toyota Motor Mfg., Ky., Inc. v. Williams*, 534 U.S. 184, 199 (2002) (whether carpal tunnel syndrome is a debilitating condition under the ADA), *superseded by statute*, ADA Amendments Act of 2008, Pub. L. No. 110-325, 122 Stat. 3553; *Detroit Edison Co. v. NLRB*, 440 U.S. 301, 318 (1979) (sensitivity of a human being to disclosure of information about competence); *Hawkins v. United States*, 358 U.S. 74, 77–78 (1958) (effect on marriage of adverse testimony from spouse).

Prior to the Federal Circuit’s decision in this case, the approach to § 101 recognized the same role for legislative facts in assessing patentability: such facts are not specific to the dispute between the parties but instead help establish a broader principle, namely, the propriety of the patent grant. If the supposed invention is not patentable, then it remains available to the public. See *Gen. Elec. Co. v. Wabash Appliance Corp.*,

304 U.S. 364, 369 (1938). Any facts courts use in assessing whether a patent should have issued are simply tools to determine the propriety of a legal grant.

It makes no difference that the dispute may turn on scientific, economic, or other principles. Factual questions about background scientific principles and the like are precisely the type of facts that transcend the particular dispute between the parties. Fed. R. Evid. 201(b) advisory committee’s notes to 1972 proposed rules.

Nor does it matter that the Federal Circuit believed the inquiry should be from the viewpoint of a skilled artisan. Pet. App. 88 & n.1. The person of ordinary skill in the art at the time of invention is not an actual person; the “hypothetical person” of ordinary skill is “an imaginary being possessing ‘ordinary skill in the art’ created by Congress to provide a *standard of patentability*.” *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1454 (Fed. Cir. 1984); 35 U.S.C. § 112(a) (establishing “person skilled in the art” standard). As the standard of patentability, that legal fiction merely poses the *legal* question to be answered.

Ultimately, none of the factual issues in the § 101 inquiry is unique to the dispute between the parties. They concern only the character of the patent claims. Thus, scientific or not, they involve legislative not adjudicative facts just like those this Court routinely considers without deference. See *DePierre v. United States*, 564 U.S. 70, 80 (2011) (examining scientific and medical literature on use of the term “cocaine”); *Utah v. Evans*, 536 U.S. 452, 467 (2002) (explaining that “statutory phrase” uses “a term of art with a technical meaning” and “the technical literature, which we have consequently examined,” helps resolve the meaning (citing *Corning Glass Works v. Brennan*, 417 U.S. 188, 201 (1974))); *supra*, p. 6.

This is essentially the same point this Court made in *Brown v. Piper*, 91 U.S. 37 (1875). The Court explained that background knowledge in patent cases, even within a particular scientific field, does not require the type of “private and special facts” normally committed to a court of equity or a jury at law. *Id.* at 42. Rather, courts can resolve questions of law by reference to “whatever is generally known within the limits of their jurisdiction,” which “extends to such matters of science as are involved in the cases brought before [them].” *Id.*; see *Terhune v. Phillips*, 99 U.S. 592, 593 (1879) (applying *Brown*).

The Federal Circuit’s decision in this case that the § 101 analysis is anything other than purely legal contravenes this Court’s teachings. The Court should grant the Petition to rectify the erroneous rule adopted by the Federal Circuit.

II. THE IMPORTANCE OF THE QUESTION PRESENTED WARRANTS CERTIORARI.

Certiorari is particularly crucial in this case because the Federal Circuit’s new factual test will have—and has had—wide-ranging effects that will frustrate the very purpose of the § 101 patentability inquiry.

Courts have long wrestled with complex issues arising within the § 101 patentability doctrine, as evident by the string of § 101 cases before this Court over the last ten years. See, e.g., *Alice*, 134 S. Ct. 2347; *Myriad*, 569 U.S. 576; *Mayo*, 566 U.S. 66; *Bilski v. Kappos*, 561 U.S. 593 (2010). However, as Judge Reyna explained, in the face of these complex questions, “the single most consistent factor” in the Federal Circuit’s “§ 101 law has been . . . precedent that the § 101 inquiry is a question of law.” Pet. App. 105. The decision in this case thus marks a sea change in § 101 jurisprudence, com-

pletely altering the established expectations and practices of courts, agencies, and parties.² And the disruption will be significant.

This Court has emphasized that the “§ 101 patent-eligibility inquiry is only a threshold test.” *Bilski*, 561 U.S. at 602. And because patentability under § 101 has long been a legal question, courts could readily heed that command by disposing of the issue early in the case (whether on a motion to dismiss, on the pleadings, or at the latest on summary judgment). Pet. App. 108–09 (Reyna, J., dissenting from denial of rehearing). The PTO could similarly resolve these issues efficiently. This practice saved judges and parties substantial costs of proceeding through an entire case only to have a determination that the supposed invention was ineligible for a patent in the first place. The Federal Circuit’s new rule will increase cost and disruption by allowing factual disputes to preclude early resolution, prolonging a decision on patentability until after a full trial on the newly minted factual question.

Indeed, commentators are already using the Federal Circuit’s new rule as a roadmap for patentees to avoid

² Commentators have consistently described the Federal Circuit’s decision as a “sea change” in the § 101 doctrine. See *Fed Circuit Watch: Still Another § 101 Decision Signals Sea Change*, Yonaxis: Blog (Mar. 2, 2018), <https://yonaxis.com/blog/2018/03/02/fed-circuit-watch-still-another-%C2%A7101-decision-signals-sea-change/>; Dennis Crouch, *Eligibility Analysis and Its Underlying Facts: A Roadmap for Surviving Dismissal on the Pleadings*, Patently-O: Patent Blog (Feb. 15, 2018), <https://patentlyo.com/patent/2018/02/eligibility-underlying-surviving.html>; Dennis Crouch, *Patent Eligibility: Underlying Questions of Fact*, Patently-O: Patent Blog (Feb. 8, 2018), <https://patentlyo.com/patent/2018/02/eligibilityunderlying-questions.html>; Ryan Davis, *Recent Patent-Eligibility Cases Leave Unanswered Questions*, Law360 (Mar. 12, 2018, 9:27 PM), <https://www.law360.com/articles/1020953?scroll=10>.

§ 101 rulings at an early stage of a case. See Robert Daniel Garza, *Software Patents and Pretrial Dismissal Based on Ineligibility*, 24 Rich. J.L. & Tech. 1, 80 (2018) (asserting that the rule “provide[s] procedural victories for software patent holders to survive early § 101 attacks”). The Federal Circuit’s new rule allows patentees to avoid early rulings on § 101 through “a carefully written complaint” because “all factual allegations made by the plaintiff in the complaint should be taken as true.” *Id.* at 112; see, e.g., *Kroy IP Holdings, LLC v. Groupon, Inc.*, No. 17-1405-MN-SRF, 2018 WL 4905595, at *8, *16 (D. Del. Oct. 9, 2018) (denying motion to dismiss under § 101 because factual issues must be taken as true). In other words, the Federal Circuit’s departure from the teachings of this Court invites gamesmanship to avoid early resolution of § 101 and increase the burden of litigation and the pressure on defendants to settle unmeritorious claims for their enhanced nuisance value.

The effect on PTO proceedings will be equally detrimental and disruptive. In the wake of this case, the PTO issued a memorandum altering its examination procedures. Memorandum from Robert W. Bahr, Deputy Comm’r for Patent Examination Policy, U.S. Patent & Trademark Office, to Patent Examining Corps (Apr. 19, 2018) (“Berkheimer Memo”), <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.pdf>; see also *Request for Comments on Determining Whether a Claim Element Is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility*, 83 Fed. Reg. 17,536 (Apr. 20, 2018). This memorandum emphasizes that the Federal Circuit’s decision in this case marks the first that any has held that the § 101 analysis contains a factual element. The memorandum accordingly revises the Manual of Patent Examining Procedure (“MPEP”) and

alters the PTO's examination procedures. Berkheimer Memo at 3–5.

Under the revised procedures, patent examiners “should conclude that an element (or combination of elements) represents well-understood, routine, conventional activity **only** when the examiner can readily conclude that the element(s) is widely prevalent or in common use in the relevant industry.” *Id.* at 3. In other words, examiners should presumptively give inventions a pass under § 101 unless they can “readily conclude” that the elements are prevalent or in common use. Indeed, commentators have emphasized that this case “[f]or practitioners . . . provides a basis for challenging unsupported conclusions by the Examiner,” as well as challenging “a conclusion by the Examiner even when the Examiner does cite to some” evidence. Jon Grossman, Anastasia Dodd & Alexander S. Perry, *Out of Wonderland from Diehr to Aatrix: Three Steps to Overcoming 101 Rejections—Part II*, 30 No. 9 Intell. Prop. & Tech. L.J. 3, 4–5 (2018). This will likely result in increased issuance of patents ineligible under § 101. This in turn will result in an increase in the number of patents subject to § 101 challenges in district courts, which will not be able to resolve patentability until a full factual record has been developed. This increase in litigation and the costs of litigation does not benefit the patent system.

CONCLUSION

For the foregoing reasons, the Petition should be granted.

Respectfully submitted,

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November 14, 2018

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