

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 THE COMPUTER &
COMMUNICATIONS INDUSTRY
ASSOCIATION AS *AMICUS CURIAE* IN
SUPPORT OF THE PETITIONER**
◆

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INTEREST OF AMICUS CURIAE¹

The Computer & Communications Industry Association (“CCIA”) is an international nonprofit association representing a broad cross-section of computer, communications, and Internet industry firms that collectively employ nearly a million workers and generate annual revenues in excess of \$540 billion². CCIA believes that open, competitive markets and original, independent, and free speech foster innovation. It regularly promotes that message through amicus briefs in this and other courts on issues including competition law, intellectual property, privacy, and cybersecurity. See, e.g., *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (patents); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014) (copyright); *Ohio v. American Express Co.*, 138 S. Ct. 2274 (2018) (antitrust).

CCIA believes that availability of patentable subject matter defenses under 35 U.S.C. § 101 at early stages of a case minimizes the cost and deadweight loss created by patent litigation over ineligible patents. As frequent patent litigants, CCIA’s members have a considerable stake in an accurate and efficient patent system. The Federal Circuit’s *Berkheimer* decision would effectively eliminate early determination of these issues in

¹ Pursuant to Supreme Court Rule 37.2(a), this brief is filed under the blanket consent of both parties. Pursuant to Rule 37.6, no counsel for any party authored this brief in whole or part; no such party or counsel made a monetary contribution intended to fund its preparation or submission; and no person other than amicus made such a contribution.

² A list of CCIA members is available at <http://www.ccianet.org/members>.

cases, rendering these benefits unavailable and producing significant negative impacts on the patent system as a whole and on innovation.

SUMMARY OF ARGUMENT

As a question of law, the § 101 inquiry is amenable to resolution on summary judgment. In each of the previous three subject matter eligibility decisions by this Court, the question of eligibility was originally decided on summary judgment. The Federal Circuit’s *Berkheimer* decision creates significant and unnecessary barriers to early resolution of this inquiry and sets forth a test that does not comply with this Court’s previous decisions.

As the dissent below noted, the panel decision in the Federal Circuit will have “staggering” consequences. The § 101 patentable subject matter eligibility inquiry most recently described in this Court’s *Alice*, *Mayo*, *Myriad*, and *Bilski* decisions has significantly increased the efficiency of the legal system with respect to certain types of patents. By resolving the threshold issue of subject matter eligibility at an early stage in the case, the § 101 inquiry has reduced the burdens and costs imposed on the judiciary and litigants alike. Failing to resolve this question and allowing the Federal Circuit’s *Berkheimer* decision to stand would reverse this situation, re-imposing significant burdens on the patent system.

In order to resolve the Federal Circuit’s erroneous decision and ensure that the benefits of early resolution of the question of subject matter eligibility remain available, the Federal Circuit’s decision should be overturned, making clear that the patent eligibility inquiry is a question of law suitable for resolution at summary judgment.

ARGUMENT

I. QUESTIONS OF SUBJECT MATTER ELIGIBILITY UNDER § 101 ARE AMENABLE TO RESOLUTION AT SUMMARY JUDGMENT

This Court’s precedent renders clear the suitability of the patent eligibility inquiry for resolution at summary judgment. In each of *Mayo*, *Myriad*, and *Alice*,³ the patent claims at issue were resolved at the summary judgment stage. In none of these cases was there the need to refer to underlying factual issues to determine the eligibility of the claims, nor any reference to an underlying factual inquiry.

The question of eligibility is simply “whether the claims at issue are directed to a patent-eligible concept” and whether the claims “transform that abstract idea into a patent-eligible invention.” In each portion of the inquiry, the focus is on the claims. And this Court’s precedent is clear that “the construction of a patent … is exclusively within the province of the court.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

The Federal Circuit’s “well known, routine, and conventional” test converts this question from a question of law into a purely factual question, causing the scope of a patent claim to vary depending on the specific evidence presented in a particular

³ See *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013), *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014).

case.⁴ This conversion into a factual test where the meaning of a claim depends on the evidence presented, rather than a legal test with the meaning being determinable solely from the patent document itself, destroys the ability of the public to have certainty as to the validity of a patent.

II. THE FEDERAL CIRCUIT'S DECISION MISTAKES A USEFUL GUIDEPOST FOR THE SOLE TEST OF ELIGIBILITY

The Federal Circuit's error stems, as it did with the "machine or transformation" test prior to this Court's decision in *Bilski*,⁵ from mistaking a useful guidepost to the eligibility of a claim for the sole test of eligibility. In making this mistake, the Federal Circuit has confined the eligibility inquiry in a way that this Court's prior decisions do not support.

The Federal Circuit's reliance on the singular test of whether additional, non-abstract claim elements are "well known", "routine", and "conventional" is sufficient to find that a claim is ineligible. However, it is also narrower than the test this Court has set forth for eligibility. A claim may employ claim elements that do not fall within this test and still fail to "transform an abstract idea into a patent-eligible invention", rendering the claim ineligible under this Court's precedent but eligible under the Circuit's precedent. *Alice*, 134 S. Ct. at 2360. For example, a claim may include unconventional or non-routine steps while still

⁴ Cf. *Teva Pharmaceuticals USA v. Sandoz, Inc.*, 135 S. Ct. 831, 848 (2015) (Thomas, J., dissenting).

⁵ *Bilski v. Kappos*, 561 U.S. 593, 602, 130 S. Ct. 3218, 3227 (2010).

amounting to “nothing significantly more” than an instruction to implement an abstract idea using generic—albeit non-standard—techniques.

Prior to *Bilski*, the Federal Circuit mistook this Court’s opinion in *Cochrane v. Deener* as setting forth a “machine or transformation” test, despite later opinions such as *Gottschalk* clarifying that the test was only a clue to patentability, not the sole test. *Bilski*, 561 U.S. at 602. Similarly, the Federal Circuit’s *Berkheimer* test mistakes this Court’s statement in *Mayo* that the steps in that case only involved “well-understood, routine, conventional”, *Mayo*, 132 S. Ct. at 1294, activity for the singular test of what constitutes significantly more than an abstract idea, while ignoring the *Alice* opinion’s clarification that the “relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea.” *Alice* at 2359.

Correction of this error alone justifies a grant of *certiorari*, particularly in light of the impossibility of a circuit split to further develop the issue and the Federal Circuit’s own internal divisions on the question.

However, grant is further justified by the importance of early resolution of subject matter eligibility and its impacts on patent litigants and on the judiciary.

III. EARLY RESOLUTION OF SUBJECT MATTER ELIGIBILITY HAS SIGNIFICANT IMPACTS IN PATENT LITIGATION

Since this Court’s most recent subject matter eligibility decision in *Alice*, a significant number of

patent litigations have been resolved based on subject matter eligibility.

Based on a search of dockets conducted via Docket Navigator, CCIA located a total of 655 post-*Alice* decisions at the pleading or summary judgment stage.⁶ Of these 655 decisions, 309 ended with the patent remaining valid, 334 ended with the patent determined to be invalid, and 12 ended with a mixed outcome in which some claims remained valid and some were invalidated.⁷

⁶ The search was conducted for all documents coded with the legal issue “Unpatentable Subject Matter (35 USC § 101) (and all subcategories)” in all U.S. district courts with a document filing date between January 1, 2015, and October 26, 2018, the date on which the search was run. After running this search, each result was manually reviewed to remove duplicate results and to ensure that the determination was on the basis of an *Alice/Mayo*-type invalidity determination rather than other § 101 determinations such as utility or transitory signals. During manual review, the outcome of each document was manually coded as one of invalidating the asserted claims, leaving the asserted claims valid, or having a mixed result. Where a patent was reviewed multiple times, the most recent determination was used with earlier determinations removed from the data set (*i.e.*, a determination of validity on the pleadings which was later determined invalid at summary judgment is coded as a single invalidity result at summary judgment.) The reviewed and coded data is available online as an Excel spreadsheet. See Joshua Landau, *Section 101 Motions Summary* (Nov. 13, 2018), available at <https://www.patentprogress.org/section-101-motions-summary/>.

⁷ Some of these 655 decisions addressed multiple patents in a single decision, while a smaller number overlapped with decisions made on the same patent in another case. As a result, it is likely that the total number of impacted patents is slightly higher than 655 and the total impact on patent litigants and the judicial system is higher than the minimum estimate provided herein.

A. Early resolution of patentable subject matter eligibility significantly reduces the deadweight losses imposed by patent litigation

A 2015 study of patent litigation conducted by RPX provides data suggesting that approximately 15% of non-practicing entity (NPE) patent cases that reach the summary judgment stage eventually reach trial.⁸ A reasonable minimal assumption is thus that trials of 50 patents (15% of the 334 patents determined invalid in CCIA's data) were avoided purely via the resolution of patentable subject matter eligibility at or before the stage of summary judgment.

2017 data from the AIPLA Economic Survey estimates the cost of litigating a patent case with \$10-\$25 million at risk through the conclusion of claim construction and summary judgment motions at approximately \$1.23 million. The cost of litigating a case through trial is estimated at approximately \$2.374 million.⁹ The RPX NPE litigation study provides similar data, estimating a median savings of approximately \$1.5 million from terminating a case at summary judgment over conducting a trial.¹⁰ These numbers represent the cost a single party incurs in litigating a single patent.

⁸ See RPX Corp., *NPE Litigation: Costs by Key Events* 9 (March 2015), available at <https://www.rpxcorp.com/wp-content/uploads/2014/12/Final-NPE-Litigation-Costs-by-Key-Events.pdf>. While this data is limited to NPE cases, there is no evidence that operating company litigation is more likely to settle.

⁹ See Am. Intellectual Prop. Law Ass'n Law Practice Mgmt. Comm., *Report of the Economic Survey* I-115 (2017).

¹⁰ See *NPE Litigation* at 4.

Accordingly, a reasonable minimum estimate for the deadweight loss in legal fees avoided via the availability of summary judgment on patentable subject matter is approximately \$114,000,000 (\$1.14 million per case per party multiplied by 50 cases and 2 parties per case.)¹¹ This amount is a minimum estimate as it does not include non-legal costs such as lost investment opportunities or direct costs to employees of the litigants incurred in supporting litigation. It also assumes a worst-case cost estimate of the case reaching full determination of claim construction and all summary judgment motions, omitting the significant additional savings possible from resolution via determinations on the pleadings or summary judgment motions at a stage of the case at which the costs of significant factual discovery into infringement and remedies have not yet been incurred.¹²

B. Early resolution of patentable subject matter eligibility reduces judicial burdens

In addition to the more than \$1 million in reduced deadweight loss incurred by each party in an affected case and the systemwide impact of \$114 million or more, the availability of early resolution of

¹¹ Some number of cases will have multiple parties as co-defendants, although significantly fewer than prior to the AIA's reform of joinder rules. These additional parties would represent additional savings above the minimum estimate provided herein.

¹² For example, in one instance where a patent was dismissed at the pleadings stage, the cost of the case through the motion to dismiss was \$62,364. *See, e.g., Shipping & Transit, LLC v. 1A Auto, Inc.*, No. 16-cv-81039, slip op. at 22 (S.D. Fla. Sept. 26, 2017) (magistrate report adopted by district court Oct. 20, 2017).

subject matter inquiries has had a significant positive impact on judicial resources. The federal district courts typically handle approximately 150 patent cases per year.¹³ A reduction of 50 patent trials over the approximately 3.75 years covered by CCIA's data thus represents a reduction of 9% in the patent-related workload.¹⁴

The availability of early resolution has thus likely resulted in a significant reduction of the patent-related trial workload on the district courts since the beginning of 2015. As these trials are typically complex cases which take a significant amount of trial time, this represents a meaningful reduction in overall district court workload.

C. Early resolution of patentable subject matter eligibility provides positive externalities experienced by non-litigants

In addition to the direct financial impact on litigating parties, non-litigants also experience benefits. In many cases, the number of filed lawsuits

¹³ See, e.g., Statistical Tables for the Federal Judiciary, *Decisions in Cases Terminated on the Merits, by Nature of Proceeding* (December 2017), available at <http://www.uscourts.gov/statistics/table/b-5/statistical-tables-federal-judiciary/2017/12/31>; Statistical Tables for the Federal Judiciary, *Decisions in Cases Terminated on the Merits, by Nature of Proceeding* (December 2016), available at <http://www.uscourts.gov/statistics/table/b-5/statistical-tables-federal-judiciary/2016/12/31>; Statistical Tables for the Federal Judiciary, *Decisions in Cases Terminated on the Merits, by Nature of Proceeding* (December 2015), available at <http://www.uscourts.gov/statistics/table/b-5/statistical-tables-federal-judiciary/2015/12/31>.

¹⁴ 9% is derived as a 50 trial reduction divided by the 3.75 years multiplied by 150 trials per year resulting in approximately 562.5 trials in the studied period. (50/3.75*150).

is dwarfed by the number of demand letters sent. Prof. Colleen Chien reports an estimate, provided by a patent broker, that 25 to 50 demand letters are sent for each filed lawsuit.¹⁵ Each of those demand letters represents an impact on the targeted company that is not captured in publicly available data and is thus impossible to estimate. However, these impacts may be mitigated by the early resolution of patentable subject matter questions in the cases in which those patents are actually asserted.

For example, in 2016 a small telehealth startup received a demand letter.¹⁶ While no lawsuit was ever filed, the startup incurred costs in researching and attempting to respond to the demand. Ultimately, however, the demand was resolved when the patent was invalidated in court several months later in a case against another defendant.¹⁷

This type of positive externality is an unquantifiable societal benefit derived from early resolution of patentable subject matter eligibility.

D. The Federal Circuit's *Berkheimer* decision threatens these economic benefits

The economic benefits described above rely on the potential for subject matter eligibility to be

¹⁵ See Chien, *Patent Assertion Entities (Presentation to the Dec. 10, 2012 DOJ/FTC Hearing on PAEs)*, 26 (Dec. 10, 2012), available at

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2187314.

¹⁶ See EFF, *Alice Saves Medical Startup From Death By Telehealth Patent*, available at <https://www.eff.org/alice/alice-saves-medical-startup-death-telehealth-patent>.

¹⁷ See *My Health, Inc. v. ALR Technologies, Inc.*, 2:16-cv-00535 Dkt. No. 79 (Mar. 27, 2017).

determined early in a case—at the pleadings or summary judgment stage. The Federal Circuit’s conversion of the eligibility inquiry from a question of law into a predominantly factual question in *Berkheimer* threatens the availability of these benefits. Absent a grant of *certiorari* to overturn this erroneous factual test, the economic benefits described above will be curtailed or eliminated.

CONCLUSION

For the foregoing reasons, the Court should grant *certiorari*.

Respectfully submitted,

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