

No. 19-400

In The
Supreme Court of the United States

—◆—
GARMIN USA, INC., ET AL.,

Petitioners,

v.

CELLSPIN SOFT, INC.,

Respondent.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
**MOTION FOR LEAVE TO FILE BRIEF AND
BRIEF OF THE COMPUTER & COMMUNICATIONS
INDUSTRY ASSOCIATION AND ELECTRONIC
FRONTIER FOUNDATION AS *AMICI CURIAE*
IN SUPPORT OF PETITIONERS**

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**MOTION FOR LEAVE TO FILE
BRIEF OF *AMICI CURIAE***

This case presents an issue of significant practical importance to the members of *amici* Computer and Communications Industry Association (CCIA) and Electronic Frontier Foundation (EFF), who develop, research, and use products and services subject to thousands of patents, such as those at issue in this case.

Counsel of record for Petitioners was timely notified of the intent to submit the attached brief more than 10 days prior to filing, and consented. Counsel of record for Respondent was notified 8 days prior to filing, the delay being due to the hospitalization of counsel of record for *amici*. Counsel for Respondent declined to grant consent. Pursuant to Supreme Court Rule 37.2(b), *amici* respectfully move this Court for leave to file the accompanying brief in support of Petitioners.

If the question of whether the words of a patent present eligible subject matter is one of law, then it is amenable to early resolution in litigation. If the question of whether a claimed invention falls outside the subject matter permitted by Section 101 of Title 35 is a question of fact, however, then it is less amenable to early resolution. The stage at which courts resolve patent eligibility in litigation has considerable direct and indirect impact on *amici* and the members of the public they represent. *Amici's* views reflect those of both producers and downstream users of technology.

Directly or indirectly, *amici* and the communities they represent will pay for millions of dollars of additional legal fees before some number of patents are ultimately determined to be ineligible. In addition to the pecuniary costs associated with unnecessarily delaying the resolution of eligibility questions, *amici*'s members and communities also suffer from lost investment opportunities and reduced innovation owing to resources that are instead devoted to litigation. *Amici* are therefore uniquely well-suited to provide a perspective on the importance of the question presented by this case, and seek leave to file the attached brief urging the Court to grant the petition.

Respectfully submitted,

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INTEREST OF AMICI 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 billion.² CCIA believes that open, competitive markets and original, independent, and free speech foster innovation. It regularly promotes that message through *amici* 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).

Amicus curiae the Electronic Frontier Foundation (EFF) is a non-profit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 30,000 dues-paying

¹ Pursuant to Supreme Court Rule 37.2, Petitioners were notified more than 10 days in advance of filing. Respondent was notified 8 days in advance of filing. The delay was due to the hospitalization of CCIA's counsel of record. As Respondent declined to consent, *amici* have submitted a motion for leave to file this brief. 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 *amici* made such a contribution.

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

members care deeply about ensuring that intellectual property law in this country serves the goal set forth in the Constitution: promoting the progress of science and technological innovation. As part of its mission, EFF has often served as an *amicus* in patent cases before this Court, including *Ariosa Diagnostics, Inc. v. Illumina, Inc.*, No. 18-109 (2018); *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014); and *Bilski v. Kappos*, 561 U.S. 593 (2010).

CCIA and EFF believe 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 *Cellspin* decision, alongside its earlier *Berkheimer* decision, would effectively eliminate early determination of these issues in 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 early resolution, whether at the motion to dismiss or summary judgment stages. 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 *Cellspin* 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 in the decision not to rehear the related *Berkheimer* case noted, the panel decision in the Federal Circuit will have “staggering” consequences and was “wholly unmoored from [] precedent.” See *Berkheimer v. HP, Inc.*, 890 F.3d 1369, 1380 (Fed. Cir. 2018) (Reyna, J., dissenting from denial of rehearing *en banc*).

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. Allowing the Federal Circuit’s decision to stand would severely limit access to § 101 defenses at the motion to dismiss or summary judgment stages, reimposing 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 decisions in both *Cellspin* and the related *Berkheimer* appeal 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 EARLY RESOLUTION

This Court's precedent renders clear the suitability of the patent eligibility inquiry for early resolution. In each of the *Mayo*, *Myriad*, and *Alice* cases,³ the patent claims at issue were resolved at the summary judgment stage. None of these cases had any need to refer to underlying factual issues to determine the eligibility of the claims, nor do they contain any reference to an underlying factual inquiry. Because of the lack of underlying factual issues, the issue of patent eligibility is also amenable to resolution at the motion to dismiss stage.

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

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).

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 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 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 the realm of the routine and still fail to "transform an

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 (2010).

abstract idea into a patent-eligible invention”, rendering the claim ineligible under this Court’s precedent but eligible under the Federal Circuit’s erroneous precedent. *Alice*, 134 S. Ct. at 2360. For example, a claim may include unconventional or non-routine steps while still 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*, 94 U.S. 780 (1876), as setting forth a “machine or transformation” test, despite later opinions such as *Gottschalk v. Benson*, 409 U.S. 63 (1972), 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 adoption of a “well understood, routine, and conventional” test as the singular test for what constitutes “significantly more” mistakes this Court’s statement in *Mayo* that the steps in that case only involved “well-understood, routine, conventional” activity. *Mayo*, 132 S. Ct. at 1294. By doing so, the Federal Circuit ignores 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. Deciding this issue alongside the pending *certiorari* petition in *Berkheimer* would also ensure that all forms of early resolution of subject matter eligibility

are addressed. *See HP Inc. v. Berkheimer*, No. 18-415 (Jan. 7, 2019).

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

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).

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 Of the 655 decisions, 515 took place at the pleadings stage under either Rule 12(b)(6) or Rule 12(c). Of the 515 determinations at the pleadings stage, 239 resulted in the patent's validity being upheld, 265 resulted in invalidity or dismissal, and 11 resulted in mixed outcomes.

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 10% of non-practicing entity (NPE) patent cases that reach the motion to dismiss stage eventually reach trial.⁸

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.

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

A reasonable minimal assumption is thus that trials of 26 patents (10% of the 265 patents determined invalid in CCIA's data) were avoided purely via the resolution of patentable subject matter eligibility at the pleadings stage.

The 2019 AIPLA Economic Survey estimates the cost of litigating a patent case with \$10-\$25 million at risk through trial to be approximately \$2.7 million.⁹ While no separate estimate of costs is available for litigation through motion to dismiss, a reasonable lower bound estimate is that the cost of non-discovery activities through the end of discovery in such a case is approximately \$500,000.¹⁰ Thus, cases that terminate at

operating company litigation is more likely to settle. The use of 2015 data limits the potential confounding impact of early dismissals under *Alice* on the dataset.

⁹ See Am. Intellectual Prop. Law Ass'n Law Practice Mgmt. Comm., *Report of the Economic Survey* 50 (2019).

¹⁰ A 2009 Federal Judicial Center case-based survey estimated discovery as approximately 27% of total litigation cost. Emery G. Lee III & Thomas E. Willging, *Fed. Judicial Ctr. National, Casebased Civil Rules Survey: Preliminary Report To The Judicial Conference Advisory Committee On Civil Rules* at 38-39 tbls. 6 & 7 (2009), available at <https://www.fjc.gov/sites/default/files/materials/08/CivilRulesSurvey2009.pdf>. Given the AIPLA Economic Survey's reported total litigation cost of \$2.7 million, that places an estimate of the cost of discovery at \$730,000. Given the AIPLA Economic Survey's reported cost through the end of discovery, motions, and summary judgment of \$1.23 million, the non-discovery cost of motions and summary judgment can thus be estimated at \$500,000. Because this amount includes work beyond the motion to dismiss phase, it represents a reasonable upper bound for the cost of a case through the motion to dismiss. This is likely an over-estimate of cost, resulting in an under-estimate of savings, as intellectual property cases tend to be more

the pleadings phase represent a median savings of \$2.2 million compared to the same case going to trial. These numbers represent the cost a single party incurs in litigating a single patent.

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 \$114,400,000 (calculated from \$2.2 million per case per party multiplied by 26 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 may also over-estimate the cost through the motion to dismiss. For example, while CCIA estimates a median cost through dismissal of \$500,000, lower costs have been reported in single cases.¹²

expensive than average and percentage cost of discovery tends to rise with case complexity. See Emery G. Lee III & Thomas E. Willging, *Defining the Problem of Cost in Federal Civil Litigation*, 60 Duke L.J. 765, 780-81, n. 88 (2010).

¹¹ This number is not directly comparable to the similar number derived in CCIA's *amicus* brief in *Berkheimer*, as it relies on updated data from AIPLA. Approximately 2/3 of the total savings derived from early resolution appear to be due to resolution at the pleadings stage, with the remainder from summary judgment stage determinations. In addition, 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

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

In addition to the more than \$2 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 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 26 patent trials over the approximately 3.75 years covered by CCIA's data thus represents a reduction of 5% 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 district courts since the beginning

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).

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

¹⁴ 5% is derived as a 26 trial reduction across approximately 562.5 trials in the studied period (3.75 years multiplied by 150 trials per year).

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. Further, as resolution at the motion to dismiss phase limits the amount of non-trial work such as resolution of discovery disputes, motions practice, and pre-trial conferences, there are likely significant non-trial time savings for the federal judiciary as well.

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 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.

¹⁵ See Colleen Chien, *Patent Assertion Entities (Presentation to the Dec. 10, 2012 DOJ/FTC Hearing on PAEs)*, at 26 (Dec. 10, 2012), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2187314.

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 conversion of patent eligibility into a question with underlying factual inquiries threatens these economic benefits

The economic benefits described above rely on the potential for subject matter eligibility to be determined early in a case—particularly at the pleadings stage. The Federal Circuit’s conversion of the eligibility inquiry from a question of law into a predominantly factual question in *Berkheimer* and *Cellspin* threatens the availability of these benefits.

This threat has already begun to play out. One recent article noted that, post-*Berkheimer*, the success rate of § 101 motions to dismiss has dropped from 70%

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).

to 45%, with a similar drop in success at the summary judgment stage.¹⁸ Using the economic analysis in Section III.A, *supra*, such a drop applied across the 515 cases in which a motion to dismiss was filed would have resulted in approximately 129 fewer patents invalidated via a motion to dismiss, resulting in an additional 13 patent trials and an additional \$57,200,000 in deadweight losses via legal fees. Other negative effects, such as increased federal judiciary workload and increased non-economic impacts on affected companies, would grow proportionally.

Finally, a litigation environment in which early resolution is less available will likely result in more threats of patent litigation, more filed litigation, and more expensive litigation overall. In fact, the *Berkheimer* decision and its companions such as *Cellspin* may be part of the reason why patent litigation costs are again increasing after a sustained decrease.¹⁹



¹⁸ See Ryan Davis, *Quick Alice Wins Dwindling in Wake of Berkheimer Decision*, Law360 (July 25, 2019), available at <https://www.law360.com/articles/1181804/quick-alice-wins-dwindling-in-wake-of-berkheimer-ruling>.

¹⁹ Compare Am. Intellectual Prop. Law Ass'n Law Practice Mgmt. Comm., *Report of the Economic Survey* (2019) with Am. Intellectual Prop. Law Ass'n Law Practice Mgmt. Comm., *Report of the Economic Survey* (2017).

CONCLUSION

Absent a grant of *certiorari* to overturn this erroneous factual test, the economic benefits described above will be curtailed or eliminated. Further, given that the majority of the economic benefits experienced from this Court's § 101 jurisprudence have come from resolutions at the pleadings phase, the Court should resolve this case as a companion to the *Berkheimer* case, which addresses only the question of resolution on summary judgment.

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

Respectfully submitted,

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