Appeal Nos. 2016-1188, -1190, 1191, 1192, -1194, -1195, -1197, -1198, -1199

United States Court of Appeals For The Federal Circuit

EVOLUTIONARY INTELLIGENCE LLC,

Plaintiff-Appellant,

v.

SPRINT NEXTEL CORPORATION, SPRINT COMMUNICATIONS COMPANY, L.P., SPRINT SPECTRUM L.P., SPRINT SOLUTIONS, INC., APPLE INC., FACEBOOK INC., FOURSQUARE LABS, INC., GROUPON, INC., LIVINGSOCIAL, INC., MILLENNIAL MEDIA, INC., TWITTER, INC., YELP, INC.,
Defendants-Appellees.

Appeals from the United States District Court for the Northern District of California, Senior Judge Ronald M. Whyte

CORRECTED BRIEF OF U.S. INVENTOR, INC. *ET AL.* AS *AMICI CURIAE* IN SUPPORT OF PETITIONER EVOLUTIONARY INTELLIGENCE

May 3, 2017

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CERTIFICATE OF INTEREST

Counsel for amici U.S. Inventor, Inc., et al. certifies the following:

1. The full name of every party or amici curiae represented by me is:

U.S. Inventor, Inc.
South Coast Inventors
Music City Inventors
Inventors' Roundtable
Inventors Network of the Carolinas
Independent Inventors of America
National Innovation Association
Inventors Network of Minnesota
San Diego Inventors Forum
Edison Innovators Association, Inc.
Tampa Bay Inventors Council
Inventors Network of the Capital Area

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by:

None

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amici curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amici curiae now represented by me in the trial court or the Federal Circuit are:

Apogee Law Group P.C.: Robert P. Hart

Respectfully Submitted,

Dated: May 3, 2017

/s/
Robert P. Hart

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INTEREST OF THE AMICI CURIAE[1]

U.S. Inventor, Inc. and the other independent inventor groups listed below (collectively, "U.S. Inventor") are not-for-profit corporations that represent their members by promoting strong intellectual property rights and a predictable U.S. patent system. On behalf of all members, U.S. Inventor promotes policies that foster innovation, growth, and a competitive marketplace for innovation such as protection of software and other related technologies. U.S. Inventor's members have a strong stake in the proper functioning of a predictable U.S. patent system. Its members have a particularly strong interest in the development of appropriate standards for evaluating the patent-eligibility standards for patents pursuant to 35 U.S.C. §101.

INTRODUCTION AND SUMMARY OF ARGUMENT

This case concerns not only the proper legal rubric for dismissal of a case as not patent eligible under 35 U.S.C. §101, but also the overarching consideration of whether software inventors should be awarded patents for their efforts. Legally, while this Court has not so ruled, it should be improper on a Rule 12 motion for a district court to reject the PTAB's BRI claim construction and adopt an even broader

[1] Pursuant to Fed. R. App. P. 29(c)(5), *amici* affirms that no counsel for a party authored this brief in whole or in part and that no person other than the *amicus*, its members, and its counsel made a monetary contribution to its preparation or submission. While the Appellant consents to the Amici filing, the Appellees do not oppose the Amici filing, but cannot represent that the matters raised by Amici are properly presented for rehearing.

interpretation for purposes dismissing the case as an "abstract idea" under §101 ("§101 Abstraction").

Economically, this case represents the pinnacle of a growing trend in software litigation to invalidate patents without providing a thorough analysis. The U.S. software industry is under increasing attack in the court system as patent after patent are invalidated. In recent years, *Alice* has provided supposed legal justification for eviscerating one of the primary mechanisms available to the software industry to protect the fruits of its investments – namely, patents.

Despite this looming reality, the software industry is responsible for annually pumping hundreds of billions of dollars to the U.S. economy, making a leader in technological innovation and a major driver of growth. Indeed, software today drives technological innovation, across the "traditional" computer industry plus every sector of the economy. Why then, when challenged in court, is software consistently being denied patent protection?

In this information age, it is not unusual for technological advances, such as new conceptual insights or discoveries, expressed as principles or mathematical formulae - that by themselves may be considered "abstract ideas" or "laws of nature" - applied to existing devices, materials, or processes to form new machines. Countless innovations are made possible by integrating new, advanced software using algorithms with existing computer hardware. There is nothing in the U.S. Constitution or the patent statute that prevents such innovations from achieving patent protection. Yet, it

seems the court system falls further and further behind in its unwillingness to examine what may prove to be highly technical and difficult litigation.

Indeed, Rule 12(c) has provided the primary procedural path district courts have used to invalidate patents in recent years. At the pleadings stage, the parties have provided the court with very little information to understand what a patent encompasses. After all, the U.S. legal system subscribes to notice pleading, which requires that a "claim for relief must contain...a short and plain statement of the claim showing that the pleader is entitle to relief[.]" Fed. R. Civ. P. 8(a)(2).

To properly invalidate a patent under Rule 12(c), courts must interpret disputed claim terms and facts in favor of the non-movant, i.e., the patentee. So it seems proper that if the patentee sets forth a previous claim construction by another tribunal, that should be taken as correct for purposes of resolving the Rule 12 motion. Unfortunately, courts are doing just the opposite. When faced with a disputed claim term, courts are failing to perform a claim construction analysis and instead providing an ungrounded interpretation, or in this case, failing to perform a claim construction analysis and failing to consider the PTAB's BRI analysis. If the patentee must suffer the results of a PTAB decision that holds patent claims not valid, the defendant petitioner must accept the results of a PTAB decision in which the at-issue claims survive.

Therefore, Court should provide guidelines as follows: if the parties disagree on the claim terms' scope, i.e., they are disputed, before courts can grant a Rule 12

motion, it must accept the non-movant's positions, and only then, if there is no justiciable controversy can the motion be granted. In the alternative, the court may perform a claim construction analysis on the disputed claim terms so that it can properly evaluate whether there is a justiciable issue. At the very least, a prior, final PTAB BRI construction must mark the outer boundaries of any claim analysis. In other words, the district court cannot go broader than BRI.

ARGUMENT

I. The Court Should Clarify That The District Court May Not Rely On An Interpretation Broader Than A Final BRI To Invalidate A Patent On The Pleadings.

When to perform a claim construction analysis on a pleadings motion is a question that has not been resolved by this Court. At least, when there is a final, non-appealable BRI, that claim scope should define the outer limit on how broadly the district court can interpret claims on a Rule 12 motion. Here, a fundament flaw occurred after the patents-in-suit survived eight Inter Partes Review ("IPR") challenges. During these IPR proceedings, the PTAB construed the Appellant's claims and decided the BRI. Yet, the district court ignored BRI and invalidated the patents on a Rule 12 Motion without claim construction.

Ignoring a determination made by another tribunal, such as the PTAB's ruling on BRI, that is binding on the parties is legal error. *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971) (collateral estoppel or issue preclusion protects a defendant [respondent at the PTAB] from the burden of litigating an

issue that has been fully and fairly tried in a prior action and decided against the plaintiff [petitioner at the PTAB]). The district court should not be able to interpret claims broader than BRI.

A. Neither Court Accepted That The PTAB's BRI Provides The Broadest Limits Of The Claim Scope.

The panel failed to accept the PTAB's BRI, adopting the district court's ungrounded interpretation. Slip op. at 4. Here, even though Plaintiff provided an expert declaration at the district court explaining the PTAB's BRI construction, the district court ignored the declaration, thus improperly resolving the disputed claim issues in Defendants' favor and setting up a procedural due process violation of the Plaintiff's patent rights. The panel decision fails to even address this oversight.

Yet, by (1) ignoring the undisputed BRI, (2) adopting Defendants' disputed and overly broad interpretation of the claims, and (3) invalidating the patents without performing a claim construction, the district court violated the Plaintiff's procedural due process. Only by adopting an even broader - and disputed - claim scope than the BRI, and without recognizing that the expert testimony or that the intrinsic record of the patents taught otherwise, the district court was able to rule the patents as not eligible under §101. This issue for the court to consider is not whether the patents in the end are patent eligible, but that the district court denied the Plaintiff its opportunity to show that its patents were eligible. The district court took Plaintiff's property right without defense and that violated due process. The

panel further violated the Plaintiff's due process rights when it too ignored the Plaintiff's evidence and affirmed the district court decision.

B. Disputed Claim Terms Should Never Be Subjected to Invalidation on the Pleading Without A Claim Construction Analysis.

Procedural due process requires fair procedures before depriving a person of life, liberty or property. (U.S. CONST. AMEND. V and XIV). The current use of Rule 12 pleadings to invalidate patents pursuant to a §101 Abstraction without considering construction of the claims, much less the PTAB's BRI analysis robs patentees of their property through an unfair and often arbitrary process.

When claim terms are disputed, a proper claim construction determination prior to a Rule 12 Motion decision is essential for the court to understand the correct claim scope and appreciate whether a patent is abstract or whether there is sufficient support in the patent that overcomes a §101 Abstraction challenge. A court's failure to conduct such a claim construction analysis in itself (or at least adopt the PTAB's BRI ruling for purposes of resolving the Rule 12 motion) causes the court to rule in an abstract and arbitrary nature thus depriving patentees of their valuable property rights. In affirming the district court's arbitrary determination, the panel here made the same mistakes. By also ignoring BRI, the panel identified and extracted specific claim terms, and held the patent ineligible based on an "out of context" extrinsic understanding of those terms - without the benefit of the rest of the claim limitations; without the benefit of the patents' Specification; and without the benefit of the PTAB's BRI.

The Rule 12 decision here was made in the face of Plaintiff's conflicting evidence. Indeed, the district court explicitly refused to consider it. Appx008 n.5 ("such a declaration is not appropriate for the court to consider on a motion to dismiss or motion for judgment on the pleadings."). Once there is conflicting evidence, Procedural Due Process requires either denial of the Rule 12 motion or consideration of such evidence, turning the Rule 12 motion into a summary judgment motion under Rule 56. Such consideration may be in the form of a hearing that must have a minimum level of procedural protections including the right of notice of the accusations against the party and an ability for that party to present rebuttal evidence. Here, the opposite occurred: the district court explicitly refused to consider the Plaintiff's rebuttal evidence leading to the conclusion that the patents were abstract. Appx08.

Instead of reviewing the mistakes of the district court for reversible error, the panel continued down the same path as the district court in depriving the patentee of its valuable patent rights while improperly ignoring contrary evidence.

C. When Factual Disputes Exist During Invalidity Proceedings on the Pleadings, the Statutory Presumption of Validity Exists.

The Presumption of Validity set forth in 35 U.S.C. §282 requires each claim be presumed valid independent of the other claims and the burden of establishing invalidity rests on the party asserting invalidity. (35 U.S.C. §282(a)). Here, both the district court and the panel refused to consider (1) the PTAB's BRI analysis; (2) the

Plaintiff's expert testimony explaining the PTAB BRI construction and offered as rebuttal to the Defendants' unsupported interpretation, much less (3) each claim of the two patents separately. Yet, *Cuozzo* teaches that once there is a factual dispute in the matter, the patent must be presumed valid. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2129 (2016).

II. Application of Variable Standards to Invalidating Patents Based on Section 101 Abstraction is Chilling Innovation in the United States.

The district court's failure to conduct a claim construction analysis and its failure to accept the PTAB's BRI finding prior to ruling on the pleadings based on a Rule 12 motion is not just a violation of the Plaintiff's due process rights, but highlights one of the variable standards courts are using to invalidate patents pursuant to a §101 Abstraction analysis. While such shortcuts work well to manage the court's docket, they are causing a rising tide of improper patent invalidations.

The U.S. Chamber International IP Index, Fifth Ed., Feb. 2017, ranks the United States only as the 10th best patent system in the world, tied with Hungary. http://www.theglobalipcenter.com/wp-content/uploads/2017/02/GIPC_IP_Index_2017_Report.pdf. A recent report states that "the patenting environment in the U.S. continues to be affected by uncertainty as to how to interpret *Myriad* and other key decisions, and greater clarity, consistency, and closing of gaps with international best practices is crucial to upholding a supportive

innovation environment." (*Id.* at page 120). This case highlights the uncertainty around the use of a Rule 12(c) motion to invalidate patents under §101.

When unfair and incomplete analyzes are used to unilaterally strip patentee's of their patent rights as was done in the *Evolutionary Intelligence* case, uncertainty reins creating untended consequences. One unintended consequence is the reduction in incentives to invest in U.S. innovation. In a worldwide marketplace, the free flow of capital moves to where investments in innovation can be protected. Increasingly, that economic marketplace is not the United States, but rather, environments that provide more certainty for the protection of innovation.

In recent remarks, David Kappos, the former U.S. Patent and Trademark Office director stated that "patent filings in China exceeded those of the next 20 countries." *See* Erin Clark, *Venture Capital Chases Patents to Friendlier Climes*, (December 12, 2016) http://watchdog.org/283886/venture-capital-chases-patents-friendlier-climes/. In addition, Mr. Kappos elaborated on why that matters:

> When investment incentives are reduced, you can expect investment to move elsewhere … The U.S. no longer provides the kind of patent incentives that are necessary to invest in key industries like biotech and software. The industries that are the most positioned to advance our economy in the future are those very same industries, biotech and software. *Id.*

At the same conference, Ami Patel Shah, managing director at Fortress Investment Group recognized the innovating community's flight from the U.S.:

> Smarter investors, they're going overseas to invest because they have [venture capital] protection there. You don't have this high

> invalidation rate in the companies and so therefore, whether I am a seed investor or late-stage or anything in-between, you have that protection afforded. Erin Clark, *Venture Capital Chases Patents to Friendlier Climes*, (December 12, 2016).

The financial community has witnessed current trends by the courts where numerous software patents are superficially reviewed and a conclusion is made that the invention is not eligible for patent protection based on §101 Abstractness.

In this case, a review of the patents-in-suit bolsters proof of the problems outlined above. The two Evolutionary Intelligence patents are U.S. Patent Nos. 7,010,536 and 7,702,682 (the " '536 and '682 patent" respectively). The '682 patent is a continuation of the '536 patent. Both of the '536 and '682 patents have thirty (30) figures and 700 reference numbers to structures in the Specification. With this level of supporting details directed specifically to hardware and software structures, these two patents hardly look like candidates for a §101 Abstraction finding. However, it is acknowledged that even the most detailed patent with hundreds of figures and tens of thousands of hardware and software structures could be declared an abstract idea pursuant to §101 if a court so desired to invalidate it, but not without a proper, grounded analysis. Hence, once there are disputed terms identified, the court must conduct a claim construction determination prior to issuing a decision invalidating patents on a Rule 12(c) Motion.

CONCLUSION

The petition for rehearing *en banc* should be granted.

Respectfully Submitted,

/s/

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CERTIFICATE OF SERVICE

I certify that today, May 3, 2017, I electronically filed the foregoing BRIEF OF U.S. INVENTOR, INC. *ET AL.* AS *AMICI CURIAE* IN SUPPORT OF PETITIONER EVOLUTIONARY INTELLIGENCE with the Clerk of the Court for the U.S. Court of Appeals for the Federal Circuit using the appellate CM/ECF system. Counsel of record for all parties will be served by the appellate CM/ECF system.

Dated: May 3, 2017 By: /s/
Robert P. Hart

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rules 32(a) or 28.1. This brief contains 2,595 words and is ten (10) pages in length, excluding the parts of the brief exempted by the Federal Rules of Appellate Procedure 32(f).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) or Federal Circuit Rule 28.1 and the type style requirements of Federal Rule of Appellate Procedure 23(a)(6). This brief has been prepared in proportionally spaced typeface using Word Version 2010, in 14 font and in Garamond font style.

By: /s/
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