

IN THE
**United States Court of Appeals
for the Federal Circuit**

STEVEN E. BERKHEIMER,

Plaintiff-Appellant,

v.

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

Defendant-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS, JUDGE JOHN Z. LEE

**BRIEF OF THE ELECTRONIC FRONTIER FOUNDATION AND THE
R STREET INSTITUTE AS *AMICI CURIAE* IN SUPPORT OF THE
PETITION FOR REHEARING EN BANC**

CHARLES DUAN
R STREET INSTITUTE
1212 New York Avenue NW Suite 900
Washington, DC 20005
(202) 525-5717
cduan@rstreet.org

DANIEL K. NAZER
ELECTRONIC FRONTIER FOUNDATION
815 Eddy Street
San Francisco, CA 94109
(415) 436-9333
daniel@eff.org

Counsel for amici curiae

CERTIFICATE OF INTEREST

Pursuant to Rules 29(a) and 47.4 of the Federal Circuit Rules of Practice, counsel of record certifies as follows:

(1) The full name of every party or amicus represented by counsel to this brief is **the Electronic Frontier Foundation and the R Street Institute**.

(2) The above-identified parties are the real parties in interest.

(3) The corporate disclosure statement of Rule 26.1 of the Federal Rules of Appellate Procedure is as follows: There is no parent corporation to or any corporation that owns 10% or more of stock in the above-identified parties.

(4) The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this court are: **Daniel K. Nazer, Electronic Frontier Foundation, San Francisco, California; Charles Duan, R Street Institute, Washington, D.C.**

(5) The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal: **None**.

Dated: March 23, 2018

/s/ Daniel K. Nazer

Daniel K. Nazer

Counsel for amici curiae

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INTEREST OF *AMICI CURIAE*

The Electronic Frontier Foundation¹ (“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 42,000 dues-paying members have a strong interest in helping the courts and policy-makers ensure that intellectual property law furthers the public interest.

The R Street Institute is a non-profit, non-partisan public-policy research organization. R Street’s mission is to engage in policy research and educational outreach that promotes free markets and limited yet effective government, including properly calibrated legal and regulatory frameworks that support Internet economic growth and individual liberty.

¹This brief is being tendered with a motion for leave to file this brief. Pursuant to Rule 29(c)(5), no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

En banc review is warranted for the following reasons.

1. The panel decision irreconcilably conflicts with fundamental principles and precedents of patent law. It is a most basic tenet that judges, not juries, are responsible for construing the words of the patent grant; it is equally accepted that uncorroborated inventor testimony is self-serving and unreliable. Yet the panel decision upsets both principles. It delegates to the jury the task of evaluating the validity of a statement in the patent specification, and obligates the judge to accept as true what is plainly a self-serving, unsupported assertion about the unconventionality of the claims.

This remarkable diversion from precedent will throw courts into confusion as to their proper role in interpreting the text of patent specifications, as it now appears that construction is no longer the exclusive province of judges at least with respect to 35 U.S.C. § 101. Furthermore, allocating a key aspect of § 101 to juries will likely create disuniformities in eligibility determinations. These unintended structural consequences for the judicial system and the patent system are strong reasons for this Court to grant en banc review.

2. This case raises a question of exceptional importance regarding the role of factual evidence in the patent eligibility inquiry under § 101. The Supreme Court's decision in *Alice Corp. Pty. Ltd. v. CLS Bank International* has allowed

many cases involving the most dubious patents to be disposed quickly upon a motion to dismiss, without the need for extensive discovery and costly trials. That far more efficient path to disposition drastically reduces the ability of patent owners, particularly aggressive patent assertion entities, to use the cost of litigation to leverage undeserved settlements. Multiple real-world examples, discussed below, demonstrate this important and positive effect of early § 101 dispositions forestalling abusive patent litigation campaigns.

The panel decision potentially squelches that possibility of early disposition by allowing the thinnest of factual allegations to prevent courts from deciding subject matter eligibility. That result, besides being wrong on the law for reasons stated in the petition for rehearing, will potentially impact hundreds of cases every year. Indeed, if the panel decision stands and fast dispositions under *Alice* disappear, one can expect revitalized demands in Congress for legislative reform. This case will thus have extraordinary impact for businesses and policy makers, requiring the careful scrutiny of en banc review.

ARGUMENT

I. THE PANEL DECISION DISREGARDS JUDGES' EXCLUSIVE ROLE IN CONSTRUING PATENTS, GIVES UNDUE WEIGHT TO SELF-SERVING INVENTOR STATEMENTS, AND WILL CAUSE CONFUSION AND DISUNIFORMITY AMONG DISTRICT COURTS

In holding that the text of a patent specification can create a question of material fact that cannot be resolved on summary judgment, the panel decision is anomalous in the face of longstanding precedent that judges, not juries, construe patents. It is further anomalous in giving weight to uncorroborated, self-serving inventor statements as to the merits of the patent, contrary to this Court's repeated warnings against doing so. Left uncorrected, the panel decision will leave district courts uncertain of their role in the construction of patent specifications, and it will disrupt uniformity in patent decisions.

"[T]he construction of a patent . . . is exclusively within the province of the court." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996). Although claim construction was the specific issue in *Markman*, the Supreme Court's analysis applies to all tasks of patent construction. Courts are better-positioned than juries to construe patents because of "functional considerations," including the fact that "construction of written instruments is one of those things that judges often do and are likely to do better than jurors unburdened by training in exegesis." *Id.* at 388. Judges can better evaluate "the overall structure of the patent" and "preserve the patent's internal coherence," and accordingly are delegated the

exclusive role of construing patent specifications. *Id.* at 390.

Notably, that exclusive role of construing specifications includes deciding what parts of a specification to disregard or accord no weight. For example, this Court often decides between incorporating a portion of the specification in interpreting claims and disregarding that portion as improperly “reading a limitation into the claim from the specification.” *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 904 (Fed. Cir. 2004) (quoting *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1186–87 (Fed. Cir. 1998)); accord *Thorner v. Sony Computer Entm’t Am. LLC*, 669 F.3d 1362, 1366 (Fed. Cir. 2012); *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1433 (Fed. Cir. 1988). The legal effect of parts of the specification is a question solely for judges.

The panel decision upends this division of responsibilities, relegating construction to the factfinder. The patent here asserts, without citation, that an element present in certain claims at issue “improves system operating efficiency and reduces storage costs” unlike prior art systems, as the panel described (at 16). Certainly the patentee is not required to identify prior art in the specification, but at the point of judicial determination of 35 U.S.C. § 101, the patentee had the ability and the obligation to produce evidence beyond a bare assertion. Yet absent any such evidence, the panel decision (at 17) took this mere assertion in the specification as creating a genuine issue of material fact under § 101. In

holding that the specification alone could create a question of material fact, the panel decision fails to construe the specification to assess whether to give it credence, contrary to *Markman*, and instead forces judges to accept the specification as true.

Forcing judges to accept the specification as true further conflicts with the longstanding rule that uncorroborated inventor testimony is not probative. “[A]n inventor’s self-serving statements are rarely relevant” to the interpretation of patents because they are motivated by the inventor’s self-interest in preserving the validity and value of the patent. *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1362 n.3 (Fed. Cir. 2008); *see also In re Cree*, 818 F.3d 694, 702 (Fed. Cir. 2016) (“[S]elf-serving statements from researchers about their own work do not have the same reliability”); *Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1379 (Fed. Cir. 2000) (discussing “the absence of probative value” of inventor testimony); *Bell & Howell Document Mgmt. Servs. Co. v. Altek Sys.*, 132 F.3d 701, 706 (Fed. Cir. 1997); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 983 (Fed. Cir. 1995) (en banc), *aff’d*, 517 U.S. 370 (1996). The statements about efficiency and storage costs here, though contained in the patent itself, are no less an uncorroborated assertion seeking to boost the apparent inventiveness of the patent. The panel decision thus gives unquestioning credit to the exact sort of self-serving statement that this Court has warned against crediting.

It is irrelevant whether the inquiry under § 101 is a “factual determination,” as the panel supposed (at 14). *Markman* recognized that even “evidentiary underpinnings” of construction are the province of the court. 517 U.S. at 390. And although patent construction involves “subsidiary factfinding” meriting only clear error review on appeal, *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* nevertheless agreed that courts, not juries, “resolve subsidiary factual disputes.” 135 S. Ct. 831, 838 (2015). By instead allocating subsidiary factfinding under § 101 away from judges, the panel erred.

To allow this out-of-step decision to stand will sow discord and inconsistency among the district courts. It is unclear now whether construction of patent specifications is a matter for judges or juries in other contexts, such as enablement or written description determinations. Moreover, *Markman* recognized that “treating interpretive issues as purely legal will promote . . . intrajurisdictional certainty” by avoiding discrepancies in construction across related but different claims. 517 U.S. at 391. In contrast, the panel decision opens the door to a patentee litigating similar claims multiple times in multiple courts, in hopes of obtaining different jury results on eligibility. Without correction en banc, that result will undermine uniformity in patent decisions—and indeed undermine the stability of the patent system overall.

II. THE CASE RAISES AN ISSUE OF EXCEPTIONAL IMPORTANCE TO SMALL COMPANIES ACCUSED OF INFRINGING ABSTRACT SOFTWARE PATENTS

A company facing a weak patent lawsuit has two options: pay a settlement or defend the case on the merits. *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), made it more feasible for defendants, even small company defendants, to choose the second option. Companies that previously would have paid nuisance settlements have sought dismissal or summary judgment under *Alice*. See, e.g., *My Health, Inc. v. ALR Techs., Inc.*, No. 16-cv-536, 2017 WL 6512221, at *3 (E.D. Tex. Dec. 19, 2017) (noting that, prior to *Alice*, patent owner secured substantial settlements by asserting patent claims later found ineligible). As well as saving the defendants themselves from paying unwarranted settlements, rulings on the merits can prevent patent assertion entities from continuing to assert ineligible patent claims. This has likely saved thousands of companies from being victimized by abusive patent litigation.

Alice has had a major impact on patent litigation. This impact has been felt most strongly in the form of early rulings on patent eligibility under § 101. The number of eligibility dismissals by district courts at the pleading stage has increased more than ten-fold, from 5 in 2013 to 75 in 2016. See Paul R. Gugliuzza, *Quick Decisions in Patent Cases*, 106 Geo. L.J. (forthcoming 2018) (manuscript at 38), <https://ssrn.com/abstract=2987289>. Moreover, this Court has regularly affirmed dismissals and judgments on the pleadings based on § 101. See, e.g.,

Content Extraction & Transmission LLC v. Wells Fargo Bank, 776 F.3d 1343, 1349 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014); see also Paul R. Gugliuzza & Mark A. Lemley, *Can a Court Change the Law by Saying Nothing*, 71 Vand. L. Rev. (forthcoming 2018) (manuscript at 27), <http://dx.doi.org/10.2139/ssrn.3015459> (identifying 54 appeals of ineligibility determinations affirmed without opinion).

Early eligibility decisions are especially important to small companies that might not otherwise be able to afford to defend a case on the merits. Defending a patent suit through trial can easily cost over one million dollars, even when little is at stake. See Colleen V. Chien, *Holding Up and Holding Out*, 21 Mich. Telecomm. & Tech. L. Rev. 1, 13 (2014). In contrast, challenging patent eligibility at the motion-to-dismiss stage is far less expensive. 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) (litigating a case up to a successful motion to dismiss cost \$62,364.73 in attorney fees).

“Where the merits are weak, mass customer-suit litigation has become a common, but unsavory, tactic for collecting nuisance settlements from many sources that leverages the high cost of defense for each customer while reducing the risk of a sustained merits challenge.” Colleen Chien & Edward Reines, *Why Technology Customers Are Being Sued En Masse for Patent Infringement and What Can*

Be Done, 49 Wake Forest L. Rev. 235, 240 (2014). Many of the campaigns fitting this pattern have been founded on patents of questionable eligibility under § 101. The ability of defendants to respond to these suits with a motion to dismiss or a motion for summary judgment has been crucial to ending these campaigns. A few example are described below.

eDekka LLC. This company filed more than 250 lawsuits (including 87 in a single week) asserting a patent directed to storing and labeling information. *See eDekka, LLC v. 3Balls.com, Inc.*, No. 2:15-cv-00541, 2015 WL 5579840, at *1 (E.D. Tex. Sept. 21, 2015). eDekka adopted an “aggressive strategy that avoids testing its case on the merits and instead aims for early settlements falling at or below the cost of defense.” *eDekka, LLC v. 3Balls.com, Inc.*, No. 2:15-cv-00541, 2015 WL 9225038, at *4 (E.D. Tex. Dec. 17, 2015). Judge Gilstrap found that the patent claims at issue were “clearly directed toward unpatentable subject matter. *Id.* at *2.

Shipping & Transit LLC. This patent owner’s “business model involve[d] filing hundreds of patent infringement lawsuits, mostly against small companies, and leveraging the high cost of litigation to extract settlements for amounts less than \$50,000.” *Shipping & Transit, LLC v. Hall Enters., Inc.*, No. 16-cv-6535, 2017 WL 3485782, at *8 (C.D. Cal. July 5, 2017). Shipping & Transit (and its predecessors in interest) filed over 500 lawsuits asserting a family of patents on notifica-

tion technology. After *Alice* was decided, some defendants filed dispositive pre-trial motions on ineligibility of the asserted claims. See *Hall*, 2017 WL 3485782, at *1 (motion for judgment on the pleadings); *1A Auto*, No. 16-cv-81039, slip op. at 2 (motion to dismiss). Shipping & Transit responded by giving up: It voluntarily dismissed its claims, leading the district courts to award fees given that the suits were “objectively unreasonable in light of” *Alice*. *Hall*, 2017 WL 3485782, at *7; see also *1A Auto*, No. 16-cv-81039, slip op. at 2. These rulings effectively ended a ten year litigation campaign that impacted hundreds of small businesses.

DietGoal LLC. This patent owner filed over 50 lawsuits asserting a patent on picture menus. See *DietGoal Innovations LLC v. Bravo Media LLC*, 33 F. Supp. 3d 271, 275 (S.D.N.Y. 2014). Prior to claim construction, Bravo Media filed a summary judgment motion arguing that the asserted claims asserted were ineligible, and the district court agreed. See *id.* at 289–90. This Court affirmed that ineligibility decision without opinion, despite (and apparently rejecting) the patentee’s argument that the district court had decided the issue prematurely. See *DietGoal Innovations LLC v. Bravo Media LLC*, 599 Fed. Appx. 956 (Fed. Cir. 2015) (per curiam); Brief for Appellant, *DietGoal*, 599 Fed. Appx. 956 (Sept. 25, 2014) (No. 14-1631).

The panel decision would make early rulings under *Alice* easy to avoid, simply by raising a bare factual allegation based on a self-serving, prophetic assertion in the specification, as discussed above. Yet without these early decisions, it is

likely that the patent assertion entities (and many others like them) would have continued their campaigns. The result would be hundreds, if not thousands, more small companies facing unmeritorious lawsuits. Moreover, since defending those suits would be far more expensive, these companies would have little choice but to pay an unwarranted settlement demand.

On this question that could have widespread impact for business, policy, and the economy, en banc review should be granted.

CONCLUSION

For the foregoing reasons, this Court should grant rehearing en banc.

Respectfully submitted,

Dated: March 23, 2018

/s/ Daniel K. Nazer

DANIEL K. NAZER
ELECTRONIC FRONTIER FOUNDATION
815 Eddy Street
San Francisco, CA 94109
(415) 436-9333
daniel@eff.org

CHARLES DUAN
R STREET INSTITUTE
1212 New York Avenue NW Suite 900
Washington, DC 20005
(202) 525-5717
cduan@rstreet.org

Counsel for amici curiae

CERTIFICATE OF COMPLIANCE

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Dated: March 23, 2018

/s/ Daniel K. Nazer

Daniel K. Nazer

Counsel for amici curiae

CERTIFICATE OF SERVICE

I hereby certify that on March 23, 2018, I caused the foregoing **Brief of the Electronic Frontier Foundation and the R Street Institute as *Amici Curiae* in Support of the Petition for Rehearing En Banc** to be electronically filed with the Clerk of the Court using CM/ECF, which will automatically send email notification of such filing to all counsel of record.

Dated: March 23, 2018

/s/ Daniel K. Nazer

Daniel K. Nazer

Counsel for amici curiae