

## MEMORANDUM FOR ORGANIZATIONS SUPPORTING PATENT RIGHTS

**From:** Gene Schaerr & Kyle Duncan of Schaerr | Duncan LLP  
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**Date:** October 4, 2017

**Re:** *Proposed Amicus Brief in support of petition for Supreme Court review in Evolutionary Intelligence v. Sprint Nextel et al.*

We write to urge amicus support for a petition for writ of certiorari to be filed in a patent case of substantial import to all inventors and patent holders. The petition will be filed on October 20—making the amicus brief due around November 22, and your notice to our opponents due around November 10.

*Issues Presented.* As you can see from the attached excerpt, the petition will raise two issues that are important to protecting the property rights of patent holders, and which arise from two common misunderstandings of the Supreme Court’s decisions in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), and *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S.Ct. 2347 (2014). Those decisions sought to clarify the proper approach to issues of “abstractness” under Section 101 of the Patent Act, while emphasizing the need to “tread carefully in construing this exclusionary principle lest it swallow all of patent law.” *Id.* at 2354. Unfortunately, many district courts—including in this case—have read *Mayo* and *Alice* to authorize invalidation of already-issued patents on abstractness grounds based *solely* on the pleadings. They have done so in two circumstances that give rise to the two questions presented—where the invalidation rests on (1) resolution of a disputed issue of fact, and/or (2) resolution of a disputed issue of claim construction or scope, including what *Alice* called the question of “what the claims are directed to.”

These “pleading invalidations” have resulted in the cancellation of hundreds of valuable patents, and a significant devaluation of patent portfolios, with no opportunity for fact-finding, claim-construction briefing or any of the other usual protections afforded in litigation on issued patents.<sup>1</sup> This misunderstanding of *Mayo* and *Alice* has placed virtually every inventor and patent holder at risk, while dramatically reducing the incentives and capital for innovation throughout the Nation. And the Federal Circuit has done nothing to clear up the district courts’ confusion, but instead has affirmed pleading invalidations in some 90 percent of its post-*Alice* decisions.

*Facts and Proceedings in the Lower Courts.* The inventions at issue here provide a means of dynamically optimizing mobile search results and notifications according to spans of time and physical movements through space. For example, the invention enables a person standing in a particular spot at, say, 7 a.m. to know immediately the five closest restaurants currently serving breakfast. While common now, the record shows this was “groundbreaking” when the patent was filed. The patent holder, Evolutionary Intelligence (EI), sued Apple and others using its

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<sup>1</sup> See, e.g., Dave Bohrer, *In Rush to Invalidate Patents at Pleadings Stage, Are Courts Coloring Outside the Lines?*, Flat Fee IP Blog (Jun. 26, 2015), <http://www.flatfeeipblog.com/2015/06/articles/patent-litigation/in-rush-to-invalidate-patents-at-pleadings-stage-are-courts-coloring-outside-the-lines/>.

invention. Apple and other defendants filed multiple petitions for *inter partes* review in the PTO, which repeatedly rejected defendants' invalidity arguments.

The defendants then moved to dismiss the infringement suit on “abstractness” grounds. Ignoring the PTO proceedings, the district court accepted this argument and, in so doing, decided two key factual issues based on facts *outside* the pleadings. First, the district court analogized the invention to a mere guidebook with a list of restaurants and opening hours. *Id.* at 1167. Likewise, the district court claimed the invention was no different from a coffee server with a good memory. *Id.* EI appealed, and the Federal Circuit affirmed, based on similar factual conclusions. *En banc* review was denied.

*What we hope to achieve in this case.* We plan to seek two rulings that will benefit all inventors and other patentees facing a claim of abstractness:

1. When a challenger's abstractness argument rests on a disputed issue of fact, a pleading dismissal violates the Federal Rules of Civil Procedure (FRCP) and the Seventh Amendment, as well as the presumption of validity in 35 U.S.C. 282.

The FRCP (e.g., Rules 12(d) and 56) require all material, genuine factual disputes to be decided by the finder of fact. But the district court used facts outside the pleadings to resolve the case as a matter of law. Further, at the time of the founding, factual questions about the “usefulness” of a patent—which includes the abstractness question decided here—went to the jury, which means that the Seventh Amendment applies to those types of factual issues.

Although this issue is embedded in the question presented in the pending *Oil States* case, there is no assurance the Court will decide this issue there. It could resolve that case on separation-of-powers grounds instead.

2. When a challenger's abstractness argument rests on a contested issue of claim construction or scope—such as (in *Alice's* formulation) “what the claims are directed to”—a pleadings dismissal violates both the presumption of patent validity and the universal principle that, on a motion to dismiss, any legal instrument must be construed in the light most favorable to its validity.

Only after detailed analysis, and if necessary factual development and a proper *Markman* hearing, can a judge possibly resolve disputed issues of claim construction or scope—including the threshold question of what the claims “are directed to.”

*Why your amicus brief is important.* Studies show that amicus briefs supporting certiorari multiply the likelihood that the Court will grant review. *E.g.*, Gregory A. Caldeira, *Organized Interests and Agenda Setting in the U.S. Supreme Court Revisited* (Feb. 18, 2012), <http://bit.ly/SCOTUSamicusCaldeira>. This effect increases substantially if at least four amicus briefs are filed. *Id.* at 7, 13.

We hope you will be able to join this important effort.

## QUESTIONS PRESENTED [DRAFT PETITION]

In *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, \_\_\_ U.S. \_\_\_ (2012), and *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014), this Court sought to clarify the proper approach to issues of “abstractness” under Section 101 of the Patent Act, while emphasizing the need to “tread carefully in construing this exclusionary principle lest it swallow all of patent law.” *Id.* at 2354. Unfortunately, many district courts—including in this case—have treated *Mayo* and *Alice* as authorizing invalidation of already-issued patents on abstractness grounds based solely on the pleadings, even where the invalidation rests on resolution of a disputed issue of fact or of claim construction. Although this over-reading of this Court’s decisions has been widely criticized by patent commentators, it has often been abetted, as here, by rubber-stamp affirmances from the Federal Circuit.

The questions presented are:

1. Whether *Mayo* and *Alice* authorize a district court to invalidate a patent solely on the pleadings based on an abstractness argument that depends upon one view of a disputed question of fact— notwithstanding the presumption of patent validity in 35 U.S.C. 282 and settled procedural and Seventh Amendment principles that ordinarily prevent the resolution of such questions on the pleadings alone.

2. Whether *Mayo* and *Alice* authorize a district court to invalidate a patent on the pleadings based on one view of a disputed question of claim construction or scope, including what the claims are “directed to”— notwithstanding the presumption of patent validity and the general principle that, on a motion to dismiss, any legal instrument must be construed in the light most favorable to the non-moving party.