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PATENT

Supreme Court limits how government can challenge patents

By Patrick H.J. Hughes

The U.S. Supreme Court has ruled the federal government cannot challenge a patent in any America Invents Act proceeding, and attorneys say the decision leaves few options for government agencies accused of infringement.

Return Mail Inc. v. U.S. Postal Service et al., No. 17-1594, 2019 WL 2412904 (U.S. June 10, 2019).

In a 6-3 decision, the justices on June 10 said the U.S. Postal Service was barred from petitioning for a patent to be subjected to a covered business method review — a patent review process the Patent Trial and Appeal Board started conducting in 2012.

The government also cannot ask the PTAB to institute inter partes review or post-grant review proceedings, the Supreme Court said.

The high court reversed and remanded the U.S. Court of Appeals for the Federal Circuit's decision to allow the review proceeding. *Return Mail Inc. v. U.S. Postal Serv.*, 868 F.3d 1350 (Fed. Cir. 2017).

The Supreme Court's holding ensures a civilian patent owner will not have to "defend the



REUTERS/Mike Blake

The Supreme Court has ruled the U.S. Postal Service was barred from petitioning for a patent to be subjected to a covered business method review — a patent review process the Patent Trial and Appeal Board started conducting in 2012.

patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency ... and overseen by a different federal agency," Justice Sonia Sotomayor wrote for the majority.

CONTINUED ON PAGE 15

EXPERT ANALYSIS

Supreme Court: Licensee may use trademark after bankruptcy rejection, subject to license

Wolf Greenfield attorneys Ethan W. Marks and John L. Strand explain how the U.S. Supreme Court found trademark rights should survive a license "rejection" in bankruptcy, and how its decision impacts trademark licensees and licensors.

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Supreme Court: Licensee may use trademark after bankruptcy rejection, subject to license

By **Ethan W. Marks, Esq., and John L. Strand, Esq., Wolf Greenfield**

On May 20, the Supreme Court issued its decision in *Mission Product Holdings Inc. v. Tempnology LLC*, No. 17-1657, 2019 WL 2166392 (U.S. 2019), resolving a long-standing issue at the center of trademark and bankruptcy law: whether a trademark licensee can continue to use a licensed mark when the debtor-licensor rejected the license in bankruptcy.

The court held that such a rejection does not deprive the licensee of its right to use the mark.

Although the court found in favor of the licensee, the decision appears to have left the door open for parties to enter into contractual arrangements that place some limits on licensee rights post-rejection.

The court referred repeatedly to “special contract term[s]” that might impact whether a licensee may continue to use the trademark following rejection.

Moreover, Justice Sonia Sotomayor authored a concurring opinion in which she stated that “the court does not decide that every trademark licensee has the unfettered right to continue using licensed marks post-rejection” and “[s]pecial terms in a licensing contract ... could bear on that question in individual cases.”

In light of *Mission Product*, both licensors and licensees should consider ways in which they might draft trademark licenses to preserve their respective rights in the event of the licensor’s bankruptcy.

TRADEMARK LICENSES UNDER CHAPTER 11

Chapter 11 of the Bankruptcy Code provides a framework for a business to reorganize its debt while continuing its operations.

A Chapter 11 case begins when a bankruptcy petition is filed with the bankruptcy court. This creates a bankruptcy estate consisting of the assets that will be used to satisfy the claims of creditors.

Under Section 365(a) of the Bankruptcy Code, 11 U.S.C.A. § 365(a), a debtor who has filed for bankruptcy can “reject any executory contract” — in other words, any contract that requires the contracting parties to perform ongoing obligations, including a trademark or other intellectual property license.

Section 365(g) of the code, 11 U.S.C.A. § 365(g), provides that rejection “constitutes a breach” of the contract, deemed to occur immediately before the filing date of the bankruptcy petition.

Section 365 thus allows a debtor to avoid further performance under a contract that the debtor determines is no longer in its interest. However, it subjects the debtor’s estate to a claim for damages resulting from the nonperformance.

Section 365(n) of the code, 11 U.S.C.A. § 365(n), specifies that for certain types of intellectual property licenses, the licensee can continue to use the IP notwithstanding the debtor’s rejection, so long as the licensee continues to fulfill its own obligations under the license.

The Bankruptcy Code defines “intellectual property” to include patents, copyrights and trade secrets — but not trademarks.¹

The legislative history indicates that Section 365(n):

does not address the rejection of executory trademark, trade name or service mark licenses by debtor-licensors. ... Trademark, trade name and service mark licensing relationships depend to a large extent on control of the quality of the products or services sold by the licensee. Since these matters could not be addressed without more extensive study, it was determined to postpone congressional action in this area and to allow the development of equitable treatment of this situation by bankruptcy courts.²

CASE HISTORY

In 2012, Tempnology entered into an agreement with Mission Product Holdings. The agreement gave Mission an exclusive license to distribute certain Tempnology products in the United States and a nonexclusive license to use Tempnology’s “Coolcore” trademarks around the world.

Before the agreement’s expired, Tempnology filed a petition for Chapter 11 bankruptcy. It then filed a motion to “reject” the Mission license pursuant to Section 365(a).

The Bankruptcy Court granted the motion and held that Tempnology’s rejection of the



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licensing agreement revoked Mission's right to use the Coolcore marks. *In re Tempnology LLC*, 541 B.R. 1 (Bankr. D.N.H. 2015).

Citing legislative history, the Bankruptcy Court determined that trademark rights are not afforded any protection under Section 365(n).

The Bankruptcy Appellate Panel reversed. *In re Tempnology LLC*, 559 B.R. 809 (B.A.P. 1st Cir. 2016).

The panel relied on the 7th U.S. Circuit Court of Appeals' opinion in *Sunbeam Products Inc. v. Chicago American Manufacturing LLC*, 686 F.3d 372 (7th Cir. 2012).

The 7th Circuit had held in *Sunbeam* that although Section 365(n) "does not affect trademarks one way or the other," Section 365(g) "establish[es] that in bankruptcy, as outside of it, the other party's rights remain in place" following rejection.

The panel applied the reasoning from *Sunbeam* and concluded that Mission could continue using the Coolcore trademarks.

concluded that the rejection left Mission with only a pre-petition damages claim.

The Supreme Court granted certiorari to resolve the division between the 1st Circuit and 7th Circuit.

SUPREME COURT OPINION

The Supreme Court ruled 8-1 in favor of Mission. It held that a debtor's rejection of a trademark license in bankruptcy has the same effect as a breach of contract outside bankruptcy.³

Section 365(g) says a rejection "constitutes a breach." The court observed that outside of bankruptcy, absent a "special contract term" or unique state law, a breach does not rescind rights granted under a license.

The court held that the same is true in bankruptcy: A rejection cannot revoke rights previously granted, and thus Tempnology's rejection of the trademark license did not revoke Mission's right to use the Coolcore marks.

Justice Elena Kagan authored the majority opinion.

Justice Sotomayor's concurrence noted that "the court does not decide that every trademark licensee has the unfettered right to continue using licensed marks post-rejection," as "[s]pecial terms in a licensing contract or state law could bear on that question in individual cases."

Justice Neil Gorsuch authored a dissenting opinion that said there was no case or controversy because the license agreement expired on its own terms.

TAKEAWAYS

The Supreme Court's decision resolves the circuit split as to whether a bankruptcy debtor-licensor's rejection of a trademark licensing agreement deprives the licensee of its right to use the trademark.

Both licensors and licensees now have greater certainty regarding their rights during bankruptcy.

Licensees can rest easier knowing that their ability to continue business operations in the event of the licensor's bankruptcy is more secure.

Debtor-licensors will have to consider with more care the pros and cons of rejecting a trademark license in bankruptcy.

In the absence of any special contract terms or unique state law, trademark licensees have a choice when faced with the licensor's rejection of their license in bankruptcy: They can continue to use the marks, or walk away.

Either way, they may have a suit against the debtor — even if collecting substantial damages in such a suit is unlikely.

However, as the court recognized, special licensing terms may change the analysis.

Justice Sotomayor's concurring opinion points to examples of such terms provided by the American Intellectual Property Law Association.⁴

For instance, a license might include a quality-control provision that requires the licensee to provide the licensor with a prototype of the product that the licensee intends to sell with the mark.

Debtor-licensors will have to consider with more care the pros and cons of rejecting a trademark license in bankruptcy.

The 1st U.S. Circuit Court of Appeals reversed the BAP and reinstated the Bankruptcy Court decision. *Mission Prod. Holdings Inc. v. Tempnology LLC (In re Tempnology)*, 879 F.3d 389 (1st Cir. 2018).

The 1st Circuit agreed that Section 365(n) did not provide Mission with the rights it sought, but it rejected the *Sunbeam* approach to Section 365(g) "because the effective licensing of a trademark requires that the trademark owner — here debtor, followed by any purchaser of its assets — monitor and exercise control over the quality of the goods sold to the public under cover of the trademark."

The 1st Circuit panel noted that a debtor's failure to maintain such control might result in abandonment of the mark.

"Favor[ing] the categorical approach of leaving trademark licenses unprotected from court-approved rejection," the 1st Circuit

the court rejected Tempnology's argument that Section 365(n) and other Bankruptcy Code provisions should be read to provide a list of exceptions to the general rule that rejection terminates contractual rights.

It also confirmed that rejection generally does not result in termination. It concluded that the provisions Tempnology cited, enacted at different times and in response to different problems, were intended "to reinforce or clarify the general rule that contractual rights survive rejection."

Nor was the court persuaded by Tempnology's argument that licensors would be forced to choose between retaining burdensome obligations associated with monitoring quality control and abandoning a valuable trademark to the public domain.

The court held that Tempnology's policy arguments could not overcome what Sections 365(a) and (g) direct.

If the contract provides that the licensor's approval of the prototype is necessary before the licensee can manufacture and sell the product, and if the licensor refuses to provide such approval, a bankruptcy court might conclude that the licensee has no right to continue using the mark.

Likewise, if a license provides that the licensor will provide one or more components to be included in a product labelled with the mark and sold by the licensee, and the licensor stops manufacturing the components, a bankruptcy court might conclude that the licensee has no right to manufacture the

product using components from other suppliers.

In consultation with experienced trademark counsel, licensors should consider whether they would benefit from the inclusion of similar terms in their licensing agreements.

WJ

NOTES

¹ 11 U.S.C.A. § 101(35)(B) ("The term "intellectual property" means — (A) trade secret; (B) invention, process, design, or plant protected under title 35; (C) patent application; (D) plant variety; (E) work of authorship protected under title 17; or (F) mask work protected under chapter

9 of title 17; to the extent protected by applicable nonbankruptcy law.").

² S. Rep. No. 100-505, at 5 (1988), as reprinted in 1988 U.S.C.A.N. 3200, 3204.

³ Mission argued that its exclusive distribution rights also survived Tempnology's rejection of the licensing agreement. However, the Supreme Court found "no reason to doubt" the 1st Circuit's conclusion that Mission had waived that argument.

⁴ *Mission Product Holdings Inc. v. Tempnology LLC*, No. 17-1657, brief of the American Intellectual Property Law Association as amicus curiae in support of neither party, 2018 WL 6618031 (2018).

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Allergan hits dead end at SCOTUS in bid to save Restasis patents

(Reuters) – The U.S. Supreme Court on June 3 declined to hear an appeal by Allergan Inc. of a decision invalidating the drugmaker’s patents on its blockbuster dry-eye medication Restasis, handing a final victory to generic competitors including Mylan NV.

Allergan Inc. et al. v. Teva Pharmaceuticals USA Inc., No. 18-1289, cert. denied, 2019 WL 1558485 (U.S. June 3, 2019).

Allergan had asked the high court to review a decision that some of its patents relating to Restasis, which were set to expire in 2024, should not have been granted because they described obvious concepts.

Allergan’s appeal did not deal directly with a patent transfer assignment the company struck with a Native American tribe in hopes of shielding the same patents from review by the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board.

The legality of that transaction was the subject of a separate appeal denied by the Supreme Court in April. *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 139 S. Ct. 1547 (2019).

An Allergan spokeswoman did not immediately respond to a request for comment.

The ruling clears the way for generic versions of Restasis to hit the market. Allergan Chief Executive Brent Saunders said in a May 7 earnings call that he expected generic versions of the drug, which generates more than \$1 billion in annual sales, to hit the market this year.

In 2015 generic drug companies including Teva Pharmaceutical Industries Ltd., Mylan and Akorn Inc. sought regulatory approval to launch their own versions of Restasis.

Allergan subsequently sued them in U.S. district court in Marshall, Texas, seeking a ruling that the Restasis patents were valid and would be infringed by the proposed generics.

The generics responded by asking PTAB to invalidate the patents.

In September 2017 Allergan assigned the Restasis patents to the Saint Regis Mohawk Tribe in upstate New York, which licensed them back to the company in exchange for cash payments.

The tribe then argued that, under the doctrine of sovereign immunity, the PTAB litigation should be dismissed because it could not be brought into court without its consent.

Allergan and the tribe did not raise the sovereign immunity defense in the district court litigation, however. That case was assigned to U.S. Circuit Judge William Bryson of the U.S. Court of Appeals for the Federal Circuit, sitting by designation in the Eastern District of Texas.

During a 2016 bench trial, the generic drugmakers said Allergan’s patents should not have been granted because they were obvious in light of prior art, including earlier Allergan patents.

Allergan countered there were “objective indicia” of the novelty of the patented inventions, like the fact that Restasis met an unfulfilled need in the market and became a commercial success.

Judge Bryson found the commercial success of Restasis was not an indicator of nonobviousness. *Allergan Inc. v. Teva Pharms. USA Inc.*, No. 15-cv-1455, 2017 WL 4803941 (E.D. Tex. Oct. 16, 2017).

Because Allergan had enjoyed patent protection relating to Restasis going back to 1993, the market had been blocked off from competition, Judge Bryson ruled.



REUTERS/Brian Snyder

The Federal Circuit affirmed Judge Bryson in a November order that did not explain the court’s reasoning. *Allergan Inc. v. Teva Pharms. USA Inc.*, 742 F. App’x 511 (Fed. Cir. 2018).

In its certiorari petition, Allergan argued that the Federal Circuit’s decision was contrary to Supreme Court precedent and would lead to “hindsight-based analysis” of genuine medical innovations.

Mylan, Teva and Akorn waived their right to file briefs responding to the certiorari petition. [WJ](#)

(Reporting by Jan Wolfe)

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Related Filings:

Opinion denying certiorari: 2019 WL 1558485
Petition for certiorari: 2019 WL 1569713
Federal Circuit opinion: 742 F. App’x 511
District Court opinion: 2017 WL 4803941

Federal Circuit sinks \$5.4 million jury verdict in marine patent fight

(Reuters) – A federal appeals court on May 31 threw out a \$5.4 million jury verdict in a patent dispute between rival boat manufacturers, saying there was no evidence of infringement.

Cobalt Boats LLC v. Brunswick Corp., No. 2018-1376, 2019 WL 2323807 (Fed. Cir. May 31, 2019).

The U.S. Court of Appeals for the Federal Circuit cleared Brunswick Corp., the company behind marine equipment brands such as Sea Ray and Boston Whaler, of infringing a patent owned by competitor Cobalt Boats LLC on a “swim step” for entry into and out of the water.

Representatives of Brunswick and Cobalt did not immediately respond to requests for comment.

Neodesha, Kansas-based Cobalt, a subsidiary of Malibu Boats, makes high-end speedboats. It owns a patent on a retractable platform off the rear of a boat that allows passengers to easily enter and exit. The step is “capable of being rotated 180 degrees” between a stored position and a deployed position, according to the text of the patent.

Cobalt sued Brunswick in 2015, alleging boats sold by its Brunswick Boat Group division infringed the patent.

A crucial issue in the case, filed in federal court the Eastern District of Virginia, was how to construe the term “capable of being rotated 180 degrees.” That was because even Cobalt’s expert witness said Brunswick’s allegedly infringing swim steps rotated slightly less than 180 degrees.

Cobalt said the disputed term should be construed to mean that the swim step is capable of being flipped. A swim step that cannot rotate a full 180 degrees could still meet the limitation, Cobalt said.

Brunswick argued that the patent created a precise numerical boundary and that to

infringe a swim step must rotate at least 180 degrees.

U.S. District Judge Henry Coke Morgan Jr. said a jury should resolve the dispute, but later clarified that if he had ruled he would have adopted Cobalt’s preferred definition.

The jury found infringement and awarded \$2.7 million in damages. After the trial, Judge Morgan enhanced the damages award by a factor of 1.5 and awarded damages for post-verdict sales, bringing the total to \$5.4 million. *Cobalt Boats LLC v. Brunswick Corp.*, 296 F. Supp. 3d 791 (E.D. Va. 2017).

The Federal Circuit said in the May 31 decision that Brunswick had the stronger argument and that under the proper claim construction its products do not infringe as a matter of law.

“We agree with Brunswick that the ‘180 degrees’ limitation requires that the step be capable of rotating at least 180 degrees, not merely ‘flipping over’ as Cobalt contends,” U.S. Circuit Judge Timothy Dyk said on behalf of a three-judge panel.

When a precise number is included in a patent’s claim language it should generally be interpreted as imposing a strict numerical boundary, Judge Dyk said.

The other judges on the panel were U.S. Circuit Judges Jimmie Reyna and Evan Wallach. **WJ**

(Reporting by Jan Wolfe)

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Defendant-appellant: John C. O’Quinn, Kirkland & Ellis, Washington, DC

Related Filings:

Federal Circuit opinion: 2019 WL 2323807
District Court opinion: 296 F. Supp. 3d 791



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Supreme Court urged to clarify patent-eligibility procedural rules for software

By Patrick H.J. Hughes

A British software developer is asking the U.S. Supreme Court to examine two virus-protection patents that the company says were invalidated on a motion to dismiss without the proper presumption of validity that all patents should have.

***Glasswall Solutions Ltd. et al. v. Clearswift Ltd.*, No. 18-1448, petition for cert. filed, 2019 WL 2297699 (U.S. May 17, 2019).**

The way computer-related inventions are being evaluated for patent eligibility under Section 101 of the Patent Act, 35 U.S.C.A. §101, is in “disarray,” London-based Glasswall Solutions Inc.’s May 17 certiorari petition says.

Glasswall is appealing the U.S. Court of Appeals for the Federal Circuit’s decision to affirm a lower court’s invalidation of the patents after Glasswall accused IT security firm Clearswift Ltd. of infringement. *Glasswall Sols. Ltd. v. Clearswift Ltd.*, No. 16-cv-1833, 2017 WL 5882415 (W.D. Wash. Nov. 19, 2017), *aff’d*, 754 F. App’x 996 (Fed. Cir. 2018).

restore procedural application of Rule 12(b)(6) in patent matters to the standard used in other areas of civil litigation,” the petition says.

THE ALICE TEST

The dispute involves the Supreme Court’s test established in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208 (2014).

The *Alice* test was designed to determine whether a technology is a patent-ineligible concept such as an abstract idea, and if it is, whether the technology can “transform” the claim into something patent-eligible.

In November 2016 Glasswall filed suit in the U.S. District Court for the Western District of

When Clearswift said Glasswall failed to state a plausible infringement claim because the inventions were patent-ineligible, U.S. District Judge Richard A. Jones relied upon the reasoning in *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed. Cir. 2016).

The Federal Circuit in *Intellectual Ventures* found an email-collection patent failed the *Alice* test because its data identification technique merely embodied a “fundamental, long-prevalent” practice that was an abstract idea.

Judge Jones said the ‘283 and ‘045 patents were also directed toward the filtering of electronic files and data, much like the patent in *Intellectual Ventures*, and therefore embodied abstract concepts.

On appeal, the Federal Circuit affirmed the dismissal and said, “Glasswall cannot render its complaint immune from dismissal by merely asserting that its methods are ‘novel’ and ‘improve the technology used in electronic communications.’”

The absence of an explanation in the complaint as to why an invention is patent-eligible should not doom a patent or a patent infringement suit, Glasswall Solutions Inc. says.

Clearswift challenged the patents in a dismissal motion under Federal Rule of Civil Procedure 12(b)(6).

The lower court compared Glasswall’s patents to another patent that was invalidated under the eligibility test for computer-related inventions.

But that invalidation involved “claims in a different patent, owned by a different entity, directed to a different function,” Glasswall says in its petition, arguing that the Rule 12(b)(6) decision unfairly disregarded facts in the complaint that courts are supposed to presume are true.

“This court’s intervention is needed, both to bring clarity to court application of Section 101 in the structure of the Patent Act, and to

Washington against Clearswift, which is also headquartered in the United Kingdom but has a sales office in Bellevue, Washington.

Glasswall said Clearswift was infringing U.S. Patent No. 8,869,283, a method for “resisting the spread of unwanted code and data.”

After the Patent and Trademark Office in December 2016 issued U.S. Patent No. 9,516,045, which covers a similar method, Glasswall added the ‘045 patent to the litigation in an amended complaint filed in January 2017.

The amended complaint said the ‘283 and ‘045 patents both “improve the functioning of computers” and “solve technical problems ... such as ... computer viruses or unauthorized scripting.”

‘TENSION’ WITH STATUTORY PRESUMPTION OF VALIDITY

Glasswall’s certiorari petition says the standard for determinations of “conclusory legal assertions” in the context of patent eligibility warrants high court review.

The absence of an explanation in the complaint as to why an invention is patent-eligible should not doom a patent or a patent infringement suit, Glasswall says.

To rule on a Rule 12(b)(6) motion, courts accept all factual assertions in a complaint as true to determine whether an allegation is plausible, it says.

Invalidating a patent on a Rule 12(b)(6) motion “creates significant tension” with

the statutory presumption of validity that all patents hold, the petition says.

Even Federal Circuit panels cannot agree on whether disputed factual questions surrounding a patent's validity can be answered on a motion to dismiss, so the

high court's guidance is needed to resolve inconsistencies at the top patent court, the petition says. [WJ](#)

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Related Filings:

Certiorari petition: 2019 WL 2297699
Federal Circuit opinion: 754 F. App'x 996
District Court opinion: 2017 WL 5882415
Amended complaint: 2017 WL 371257

See Document Section B (P. 36) for the petition.

COPYRIGHT

NBA star Kawhi Leonard sues Nike over logo copyright registration

By Patrick H.J. Hughes

Toronto Raptors basketball star Kawhi Leonard has sued Nike Inc. in San Diego federal court, saying the sportswear giant improperly registered a "Kawhi Leonard" logo that belongs to him.

Leonard v. Nike Inc., No. 19-cv-1035, complaint filed, 2019 WL 2339994 (S.D. Cal. June 3, 2019).

Leonard filed the suit in the U.S. District Court for the Southern District of California on June 3, seeking a declaratory judgment that Nike committed fraud on the U.S. Copyright Office when applying to register the logo.

He also seeks a declaration that he is the sole owner of the logo and therefore is permitted to use the image because he cannot infringe his own work.

CONTRACT AND FAST BREAK

Leonard, known for his "extremely large hands," created a logo consisting of an amalgam of an outline of his hand with his initials and the number 2, his jersey number, according to the suit.

He shared his artwork with creative consultants, family and friends before letting Nike affix it to merchandise beginning in 2014, the suit says.

The agreement to let Nike use the logo was part of a series of endorsement deals and personal service contracts Leonard had with Nike beginning in October 2011, shortly after becoming an NBA player, the suit says.



REUTERS/Lucy Nicholson

The former San Antonio Spurs player kept a contractual relationship with Nike until September 2018, the suit says.

Never during this relationship did Nike claim to own the logo, according to the suit. Nike even referred to it as "Kawhi's logo," the suit says.

Leonard, on the other hand, used the logo without Nike's objection on non-Nike apparel and merchandise for basketball camps and charity events, the suit says.

He registered the logo as a trademark in November 2018 for hats and shirts and in other categories.

Meanwhile, Nike filed an application with the Copyright Office claiming to have authored the logo in 2014, the suit says. The

company obtained a registration certificate in May 2017.

According to the suit, Nike has demanded that Leonard stop using the logo on all non-Nike merchandise, insisting that the shoe company "owns all intellectual property rights" in the design.

Disputing Nike's copyright ownership, Leonard asks the court to declare that any contribution Nike may have made to the logo was a "work for hire" as defined in Section 101 of the Copyright Act, 17 U.S.C.A. § 101.

As sole author of the logo, Leonard can use it on various products and he has plans to do so, the suit says.

"Use of the Leonard logo is vital to Leonard's ability to continue to grow his brand and expand both his commercial reach and influence with charities with which he is involved," the complaint says.

Attorneys:

Plaintiff: Peter R. Ginsberg, Michell C. Stein and Clark A. Freeman, Sullivan & Worcester, New York, NY; Scott L. Metzger and William P. Keith, Duckor Spradling Metzger & Wynne, San Diego, CA [WJ](#)

Related Filings:

Complaint: 2019 WL 2339994

Blackbeard's ship embarks for U.S. Supreme Court in video piracy case

(Reuters) – The nine black-robed justices of the U.S. Supreme Court will soon navigate the treacherous legal waters around a sailing ship made famous in the 18th century by the notorious English pirate known as Blackbeard.

Allen v. Cooper, No. 18-877, cert. granted, 2019 WL 134012 (U.S. June 3, 2019).

The court on June 3 agreed to hear a bid by a documentary filmmaker to revive his lawsuit against state officials in North Carolina who he accused of unlawfully pirating his footage of the wrecked pirate ship named the Queen Anne's Revenge, which went down in 1718.

The filmmaker, Frederick Allen, has appealed a lower court's ruling that North Carolina could not be sued under federal law for allegedly infringing his copyrights on five videos and a photograph of salvage operation for the ship in the Atlantic Ocean off the coast of Beaufort, North Carolina. *Allen v. Cooper*, 244 F. Supp. 3d 525 (E.D.N.C. 2017).

Though states typically are shielded from lawsuits under the U.S. Constitution through a form of protection known as sovereign immunity, the case hinges on whether the shield applies to copyright infringement. In 1990, the U.S. Congress passed a law allowing states to be held liable for illegal copying.

Blackbeard, whose name was Edward Teach, ran aground the Queen Anne's Revenge, his flagship, on a sandbar 58 years before the United States declared independence from Britain. By law, the ship and its artifacts are owned by the state.

A private salvage company located the wreck in 1996. Allen and his firm, Nautilus Productions, documented the efforts by divers and archaeologists to recover artifacts. Allen obtained federal copyright registrations on the videos and still images.

Allen and Nautilus sued North Carolina in federal court after state officials used some of the documentary materials on YouTube and a state agency website. The state also passed a law converting the materials into public records.



REUTERS/Karen Browning

A cannon recovered from the Queen Anne's Revenge shipwreck site is pulled from the water near Beaufort, North Carolina, on Oct. 26, 2011. The U.S. Supreme Court has agreed to hear a bid by a documentary filmmaker to revive his lawsuit against North Carolina state officials who he said unlawfully pirated his footage of the wrecked pirate ship, which went down in 1718.

The Richmond, Virginia-based 4th U.S. Circuit Court of Appeals threw out the case last year, ruling that Congress exceeded its powers in passing the 1990 Copyright Remedy Clarification Act as an attempt to override state sovereign immunity in copyright disputes. *Allen v. Cooper*, 895 F.3d 337 (4th Cir. 2018).

Appealing to the Supreme Court, Allen said states are flagrantly infringing authors' copyrights and invoking sovereign immunity as a way to avoid paying damages.

If the 4th Circuit's decision is not overturned, Allen said in a legal filing, "creators of original expression will be left without remedy when states trample their federal copyrights."

North Carolina Attorney General Joshua Stein emphasized the shipwreck's historical

and archaeological value and told the justices that the 1990 law is unconstitutional.

Blackbeard prowled the shipping lanes off the Atlantic coast of North America and throughout the Caribbean before being slain — shot, stabbed and decapitated — in 1718 during an encounter with British naval forces at North Carolina's Ocracoke Inlet.

The justices will hear the case in their next term, which begins in October. **WJ**

(Reporting by Andrew Chung)

Related Filings:

Opinion granting certiorari: 2019 WL 134012

4th Circuit opinion: 895 F.3d 337

District Court opinion: 244 F. Supp. 3d 525

Complaint: 2015 WL 7771074

Cellino & Barnes rift deepens with trademark case against family members

(Reuters) – The feud between Stephen Barnes and Ross Cellino, name partners of the New York personal injury law firm Cellino & Barnes, got messier June 5 when Barnes sued a competing firm launched by Cellino’s wife and two daughters.

Barnes v. Cellino & Cellino LLP et al., No. 19-cv-729, complaint filed, 2019 WL 2426126 (W.D.N.Y. June 5, 2019).

Barnes, suing on behalf of Cellino & Barnes, filed a trademark infringement case in U.S. District Court in Buffalo, New York, against the rival shop Cellino & Cellino.

The lawsuit comes amid a bitter dispute over the future of Cellino & Barnes, known for its “Don’t wait, call 8” jingle. Ross Cellino sued to dissolve the New York firm in 2017, citing a breakdown of his professional relationship with Barnes. The dissolution proceeding is pending, and the duo remain the only two shareholders of the firm.

The June 5 lawsuit alleges infringement of a federally registered trademark on “Cellino & Barnes,” among other trademarks, as well as unfair business practices under New York law.

Barnes seeks an injunction blocking Cellino’s wife, Anne Marie Cellino, and daughters Jeanna Cellino and Annmarie Cellino from using the Cellino & Cellino name.

Consumers would likely confuse the two firms because they are both personal injury firms in New York, Barnes said in the complaint.

Barnes said he does not dispute that the lawyers behind Cellino & Cellino have the right to practice law and compete with Cellino & Barnes.

They do not, however, “have the right to infringe upon C&B’s intellectual property or otherwise unlawfully trade off and usurp the reputation and good will established by C&B through great cost and effort,” he said in the complaint.

Barnes also said Cellino & Cellino is privy to and utilizing “inside information” garnered directly from Ross Cellino, and that the new firm was “a conduit to create a ‘legacy’ firm for his family and siphon off the goodwill of C&B.”

“This lawsuit is the latest example of conclusive proof of the dissension and deadlock that requires dissolution of Cellino & Barnes,” said Terrence Connors, a lawyer for Ross Cellino, in a statement. “Ross’s co-owner has filed an unauthorized lawsuit on behalf of the firm — likely using firm funds — to prevent Ross’s wife and daughters from starting their own law firm.”

Annmarie Cellino said in a statement that ethics rules require lawyers in New York state to use their names.

“In essence, Steve Barnes is attempting to bully my mother, my sister and me from practicing under our own name,” she said, adding “we will let the court and our attorneys handle this frivolous lawsuit.”

A bench trial over Cellino’s petition to break up Cellino & Barnes is scheduled for later this year before New York Supreme Court Justice Deborah Chimes.

According to Barnes’ complaint, he and Cellino have each made between \$10 million and \$15 million a year since 2016 and “are projected to make an 8-figure income for the remainder of their careers.”

Cellino has said in court filings and public statements that several disagreements between him and Barnes over firm management have made it impossible for them work together in the firm’s best interests. Barnes has opposed dissolution, saying differences between the two men can be ironed out for the benefit of the organization’s employees and clients. **WJ**

(Reporting by Jan Wolfe)

Attorneys:

Plaintiff: Gregory P. Photiadis and Christopher M. Berloth, Duke Holzman Photiadis & Gresens, Buffalo, NY; Michael A. Oropallo, Barclay Damon LLP, Syracuse, NY

Related Filings:

Complaint: 2019 WL 2426126



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TRADEMARK

Bayer spinoff nabs domain from registrant asking for 'reasonable transfer fee'

By Patrick H.J. Hughes

Covestro Deutschland AG, the onetime Bayer MaterialScience division that is now an independent maker of polymers, has persuaded the World Intellectual Property Organization to give it the domain name covestro.tech.

Covestro Deutschland AG v. Xiang, No. D2019-0126, 2019 WL 2340968 (WIPO Arb. May 23, 2019).

The WIPO Arbitration and Mediation Center said the Shanghai resident who owned the domain demonstrated a bad-faith use by responding to the WIPO complaint by asking for a "reasonable transfer fee."

The fact that the domain did not resolve to an active website did not prevent a finding that it was being used in bad faith under the "doctrine of passive holding," the sole WIPO panelist said.

While passive holding alone does not constitute abusive registration, the rules set by the Uniform Domain Name Dispute Resolution Policy, or UDRP, say that combined with other factors, non-use of a domain can indicate bad faith, the decision said.

Such factors include the distinctiveness of the trademark in the domain name, the failure of a respondent to submit a response, any concealing of the respondent's identity and the whether any good-faith use of the domain is plausible, according to the panel.

OTHER UDRP FACTORS

In addition to showing bad faith, the UDRP requires a complainant to show it has priority rights to a trademark that is confusingly similar to the disputed domain and that the registrant had no legitimate interest in the domain.

According to its website, Leverkusen, Germany-based Covestro became a separate legal entity in 2015 after arising from Bayer's chemicals and plastics unit.

At that time, Covestro filed to register its name with trademark offices throughout the world, including in the registrant's home country of China, according to the WIPO decision.

Covestro said its marks are distinctive and well-known in the polymers industry in China and other countries.

It was unlikely the registrant had not heard of Covestro when registering covestro.tech in 2018, the panel said.

This was sufficient to show the company had priority rights to the Covestro mark that was confusingly similar to the disputed domain, the WIPO panel said. The addition of the .tech generic top-level domain did not lessen the similarity, the panel said.

Further, the registrant was not an authorized seller of Covestro products or in any way affiliated with the company and therefore had no legitimate interest in the domain, the decision said.

Given the reputation of Covestro's trademarks, the WIPO panel said it was clear that the registrant "intended, from the outset, to mislead and divert consumers to the disputed domain name," which the panel called another bad-faith use.

The high degree of the trademark's distinctiveness combined with the unlikelihood that the Shanghai resident could have used the domain for a good-faith purpose led the WIPO panel to find the domain was being used in bad faith and ordered it transferred to Covestro. **WJ**

Related Filings:

Decision: 2019 WL 2340968

Tech firm must account for open source software in IP complaint, judge says

By Sanaa A. Ansari

A wireless technology firm's intellectual property infringement and hacking allegations against a Wi-Fi provider failed due to ambiguities in the complaint involving open source software, but a federal judge has given the tech firm a second chance.

***Ubiquiti Networks Inc. v. Cambium Networks Inc. et al.*, No. 18-cv-5369, 2019 WL 2208435 (N.D. Ill. May 22, 2019).**

U.S. District Judge Gary Feinerman of the Northern District of Illinois said May 22 that New York-based Ubiquiti Networks Inc., in its suit accusing Cambium Networks Inc. and other wireless networking companies of violating firmware-related rights, made "broad claims" that had to be narrowed for the suit to proceed.

Finding the suit violated Federal Rule of Civil Procedure 8(a)(2), which requires "straightforward" pleadings, the judge said he could dismiss the claims under Rule 12(b)(6) without prejudice, allowing Ubiquiti the chance to replead.

SLEW OF LAWS VIOLATED, SUIT SAYS

According to Judge Feinerman's order, Ubiquiti introduced its M-series wireless devices in 2009, primarily selling the broadband products for enhancing wireless connectivity to wireless internet service providers.

Ubiquiti filed its complaint Aug. 7, 2018, against Cambium and co-defendants Blip Networks LLC, Winncom Technologies Inc., Cambium Vice President of Engineering Sakid Ahmed and Cambium project engineer Dmitry Moiseev.

The complaint accused them of violating a slew of laws through the unauthorized access, reverse-engineering and hacking of Ubiquiti's M-series products.

The allegations included violations of the Computer Fraud and Abuse Act, 18 U.S.C.A. § 1030, and other hacking laws.

The complaint also said the defendants copied and sold the firmware in violation

of Ubiquiti's distribution and reproduction rights under copyright law, circumvented access controls in violation of the Digital Millennium Copyright Act, 17 U.S.C.A. § 1201(a)(1), and promoted and sold the "hacked firmware" in violation of trademark law, 15 U.S.C.A. §§ 1114 and 1125(a)(1)(A).

According to the complaint, sometime before November 2016 the defendants trafficked in firmware that deletes, modifies and makes unauthorized copies of portions of the Ubiquiti firmware on the Ubiquiti M-series devices, and eliminates Ubiquiti copyright notices to conceal Cambium's infringement.

On Nov. 30, 2016, Cambium started promoting its modified firmware under the name "ePMP Elevate" to be installed on Ubiquiti's M-series devices, the complaint said.

Ubiquiti requested a jury trial to determine the extent of Cambium's use of Ubiquiti trademarks, the scope of Ubiquiti's asserted copyrights and the provisions of Ubiquiti's asserted contracts, among other fact-based inquiries.

USE OF OPEN SOURCE SOFTWARE

The defendants moved to dismiss for lack of subject matter jurisdiction under Federal Rule of Civil Procedure 12(b)(1).

The judge denied the motion, stating that whether a party sufficiently alleged its right to enforce a contract or copyright is properly addressed as a merits issue under Rule 12(b)(6) and not as a jurisdictional issue under Rule 12(b)(1), as previously held by the 7th Circuit.

According to Judge Feinerman, Ubiquiti acknowledges in its firmware user license agreement that its firmware may contain open source software, defined as programs

derived from any software that is distributed as "free software," meaning it is not protected under copyright law.

The general public license, which applies to open source software, provides that a licensee such as Ubiquiti waives any legal power to prohibit circumvention of technological measures with respect to the covered work, the order said.

A "covered work" under the GPL includes a work based on the open source software, and therefore "propagates the rights associated with open source software to derivative programs," the order said.

The judge said the complaint failed to clearly define terms such as "proprietary user interface," "configuration code," "calibration code" and the "AirMax platform," phrases Ubiquiti used at the motion hearing to describe the specific items it claims Cambium unrightfully altered.

Ubiquiti claims it has spent more than \$100,000 investigating the nature of Cambium's hacked firmware and the damage it causes to Ubiquiti firmware on Ubiquiti M-series devices.

Ubiquiti seeks an injunction, destruction of all copies of the hacked firmware and damages, including \$2,500 for each DMCA violation and \$150,000 for each violation of the Illinois Computer Crime Prevention law, as well as attorney fees and costs. **WJ**

Attorneys:

Plaintiff: David E. Koropp, Erik J. Ives and Jason J. Keener, Fox, Swibel, Levin & Carroll, Chicago, IL

Defendants: Andrew D. Wilson, Baker Botts LLP, Washington, DC; Hopkins Guy and Jon V. Swenson, Baker Botts LLP, Palo Alto, CA

Related Filings:

Opinion: 2019 WL 2208435

Joint report: 2019 WL 8367913

Complaint: 2018 WL 8367914

Zillow seeks to revive coverage feud over IP suit

By Jason Schossler

Zillow Inc. is asking the 9th U.S. Circuit Court of Appeals to overturn a ruling that its insurer need not cover the online real estate database company in a lawsuit alleging it infringed photographic images.

National Union Fire Insurance Co. of Pittsburgh v. Zillow Inc., No. 17-35404, opening brief filed, 2019 WL 2402827 (9th Cir. June 5, 2019).

In a June 5 opening brief, Zillow says a lower court erred in ruling National Union Fire Insurance Co. of Pittsburgh had no duty to defend or indemnify the company because the claim that gave rise to the underlying suit was first asserted in a demand letter sent before the policy began.

Zillow also says U.S. District Judge James L. Robart of the Western District of Washington wrongly tossed its counterclaims accusing National Union of breach of contract for failing to pay the company's defense in the underlying litigation.

TAKEDOWN NOTIFICATION

According to Judge Robart's order, National Union issued a specialty risk protector policy to Zillow effective July 19, 2014, through July 19, 2015.

Nine days before the policy went into effect, VHT Inc. sent Zillow a letter accusing the company of infringing copyrighted images it had licensed to Zillow. The letter demanded that Zillow take down the images from its website, the order said.

When Zillow allegedly refused to remove the images, VHT sued the Seattle-based company July 8, 2015. *VHT Inc. v. Zillow Grp.*, No. 15-cv-1096, *complaint filed* (W.D. Wash. July 8, 2015).

Zillow notified National Union of the VHT action July 10, 2015, and the insurer agreed to provide the company with a defense subject to a reservation of rights, the order said.

But National Union later informed Zillow that the underlying suit is not covered by the policy because it arose from the set of facts in the demand letter that VHT sent before the policy term began, according to the order.

The insurer sued, seeking a declaratory ruling that it owed no duty to defend or indemnify Zillow because the demand letter and underlying suit constituted a single claim under the policy. It also alleged that Zillow's failure to disclose the demand letter before the policy's inception precluded coverage.

JUDGMENT FOR INSURER

In granting the insurer's motion for judgment on the pleadings, Judge Robart rejected Zillow's argument that there are enough differences between the demand letter and the VHT lawsuit to render the latter a new claim under the terms of the policy.

Zillow argued the demand letter cited a different provision of the federal Copyright Act than the VHT suit and did not request damages or even mention a potential lawsuit.

The letter also directed Zillow to remove only a small fraction of the allegedly infringing images that would later become part of the VHT suit, according to Zillow.

But Judge Robart said there is no meaningful difference between the letter and the VHT action for coverage purposes because they are based on the same purported conduct.

UNRELATED CLAIM?

In its appeal, Zillow says Judge Robart erred by failing to consider the "major differences" between the demand letter and the VHT lawsuit.

It also says the judge's order must be overturned because there are no policy provisions that require multiple claims arising from the same set of facts to be treated as a single claim.

"Had National Union wanted to treat all related claims as a single claim made at the time of the earliest related claim it could have explicitly included a claims integration clause in the policy to accomplish that goal," Zillow says.

Further, it says, National Union waived any requirement that Zillow should have disclosed the demand letter because its insurance application did not ask the company to reveal any facts or circumstances that could reasonably give rise to a future claim.

Lastly, Judge Robart incorrectly held that the company's counterclaims were moot based on his finding that no coverage exists under the policy, according to Zillow.

Even if the 9th Circuit affirms Judge Robart's conclusion that Zillow is without coverage, it still must be determined whether National Union breached a duty to defend by failing to pay any part of Zillow's legal bills leading up to the lower court ruling, the company says.

WJ

Attorneys:

Defendant/appellant: Nicholas P. Gellent and Cristina Sepe, Perkins Coie LLP, Seattle, WA

Defendant/appellant: Selena J. Linde, Perkins Coie LLP, Washington, DC

Related Filings:

Opening brief: 2019 WL 2402827

Order: 2017 WL 1354147

Return Mail

CONTINUED FROM PAGE 1

Justice Stephen Breyer, writing for the dissent, said the purpose of the AIA is to allow patent review options for interested parties. When the government is accused of violating patent law, it is one of those parties, so it should be allowed to petition for the review of a patent, the dissenters said.

DECISION 'SIGNIFICANTLY LIMITS' VENUES, CIRCUMSTANCES

Several attorneys not involved in the case offered their insights about the impact of the ruling.



Skadden attorney P. Anthony Sammi said the ruling “takes a weapon out of the arsenal of any government entity sued for patent infringement.”

P. Anthony Sammi, head of Skadden, Arps, Slate, Meagher & Flom’s intellectual property litigation group, said the ruling “takes a weapon out of the arsenal of any government entity sued for patent infringement.”

“We’ll be watching the dockets for any increase in patent suits against the government, which will now be forced to choose between fighting a patent in the courts or otherwise attempting settlement,” he said.

Venable LLP attorney Christopher Loh said the decision “significantly limits the venues and circumstances in which the U.S. government can challenge the validity of an issued patent.”

“It seems that the only situation in which the government unambiguously can challenge the validity of an issued patent is by asserting

such a challenge as a defense against a claim for damages filed by a patentee in the Court of Federal Claims,” he said.

Courtenay Brinckerhoff, an IP attorney at Foley & Lardner, said the high court’s decision “may turn out to be more interesting than impactful” because the government has initiated relatively few AIA review proceedings.



Foley & Lardner attorney Courtenay Brinckerhoff said the high court’s decision “may turn out to be more interesting than impactful.”

“This may be because U.S. government agencies are satisfied with the process for resolving patent infringement allegations at the Court of Federal Claims,” she said.

SUIT AGAINST THE POSTAL SERVICE

Alabama-based technology services company Return Mail Inc. sued the Postal Service in the U.S. Court of Federal Claims in 2011.

The suit accused the government of using Return Mail’s patented method for scanning undeliverable mail and updating address information for intended recipients.

The Postal Service filed a petition to have the patent reviewed by the PTAB, which granted the petition. *U.S. Postal Serv. v. Return Mail Inc.*, No. CBM2014-00116, 2014 WL 5339212 (P.T.A.B. Oct. 16, 2014).

The Postal Service appealed the decision to institute while the PTAB reviewed the patent, eventually finding it invalid.

After the Federal Circuit affirmed the decision to institute, Return Mail appealed to the Supreme Court, which granted the company’s certiorari petition in October.

'PERSON' UNDER THE AIA

Return Mail asked the high court if the federal government could be treated as a “person” under the AIA, because the statute allows the three patent-review processes to be available only to qualified “persons.”

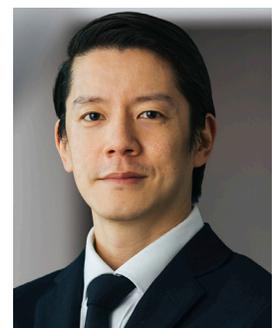
The Postal Service said the AIA’s “person” references should apply to the government because there are other references to “persons” in the Patent Act that appear to do so.

Justice Sotomayor said, “It is often true that when Congress uses a word to mean one thing in one part of the statute, it will mean the same thing elsewhere in the statute.” However, the context of the AIA demonstrates “no clear trend” in the way the term is used, she said.

The presumption is that the government cannot act as a person, and the Postal Service did not overcome this presumption, she said.

The Postal Service also argued it would be “anomalous” to deny the government a benefit that other accused infringers have: the ability to challenge a patent before the PTAB rather than as a defense to an infringement lawsuit in federal court.

Justice Sotomayor rejected this reasoning as well. Patent owners suing the government for infringement are limited in ways that those suing the nongovernmental entities are not, she noted.



Venable LLP attorney Christopher Loh said the decision “significantly limits the venues and circumstances in which the U.S. government can challenge the validity of an issued patent.”

“Because federal agencies face lower risks, it is reasonable for Congress to have treated them differently,” she said.

The dissent said that even if there is a presumption that the word “person” cannot refer to the government, the PTAB should ignore that presumption when deciding to initiate an AIA proceeding.

The Patent Act refers to the government as a person in other ways, and there is no reason to believe Congress wanted to deny the government access to the “speedier” AIA procedures, the dissent said.

Governments can own patents, maintain them, and sue and be sued for infringement, often with large awards at stake, Justice Breyer noted.

“Why, then, would Congress have declined to give federal agencies the power to invoke these same administrative procedures?” he asked.



The decision “may have an effect on future decisions in the IP arena and other areas as to the meaning of the term ‘person’ in other statutes,” Brinks Gilson & Lione attorney Robert Mallin said.



“Had the Supreme Court limited its holding to covered business method review proceedings ... the impact of *Return Mail* would have been more limited,” Holwell Shuster & Goldberg attorney Karen Sebaski said.

Justices Ruth Bader Ginsburg and Elena Kagan joined in the dissent.

‘SURPRISINGLY’ NARROW, OR COULD HAVE BEEN NARROWER?

Dorsey & Whitney attorney Jeremy Elman, who was not involved in the case, called the decision “surprisingly narrow.”

“The Supreme Court has often treated corporations as people, including for purposes of inter partes review,” Elman said.

Karen Sebaski, an attorney at Holwell Shuster & Goldberg who also was not involved in the case, said the justices could have interpreted the AIA more narrowly than they did.

“Had the Supreme Court limited its holding to covered business method review proceedings ... the impact of *Return Mail* would have been

more limited, as the CBM review program is temporary under the AIA and will sunset next year,” she said.

Attorney Robert Mallin of Brinks Gilson & Lione, who also was not involved in the case, said the court’s opinion “may have an effect on future decisions in the IP arena and other areas as to the meaning of the term ‘person’ in other statutes, such as in the statute governing ex parte re-examinations.” [WJ](#)



Dorsey & Whitney attorney Jeremy Elman called the decision “surprisingly narrow.”

Attorneys:

Petitioner: Richard L. Rainey, Beth S. Brinkmann, Kevin F. King, Nicholas L. Evoy, Daniel G. Randolph and Tarek J. Austin, Covington & Burling, Washington, DC

Respondents: Noel J. Francisco, Joseph H. Hunt and Malcolm L. Stewart, Department of Justice, Washington, DC

Related Filings:

Supreme Court opinion: 2019 WL 2412904
Argument transcript: 2019 WL 690406
Reply brief: 2019 WL 527478
Respondents’ brief: 2019 WL 169139
Certiorari petition: 2018 WL 2412130
Federal Circuit opinion: 868 F.3d 1350
PTAB decision: 2014 WL 5339212

See Document Section A (P. 19) for the Supreme Court opinion.

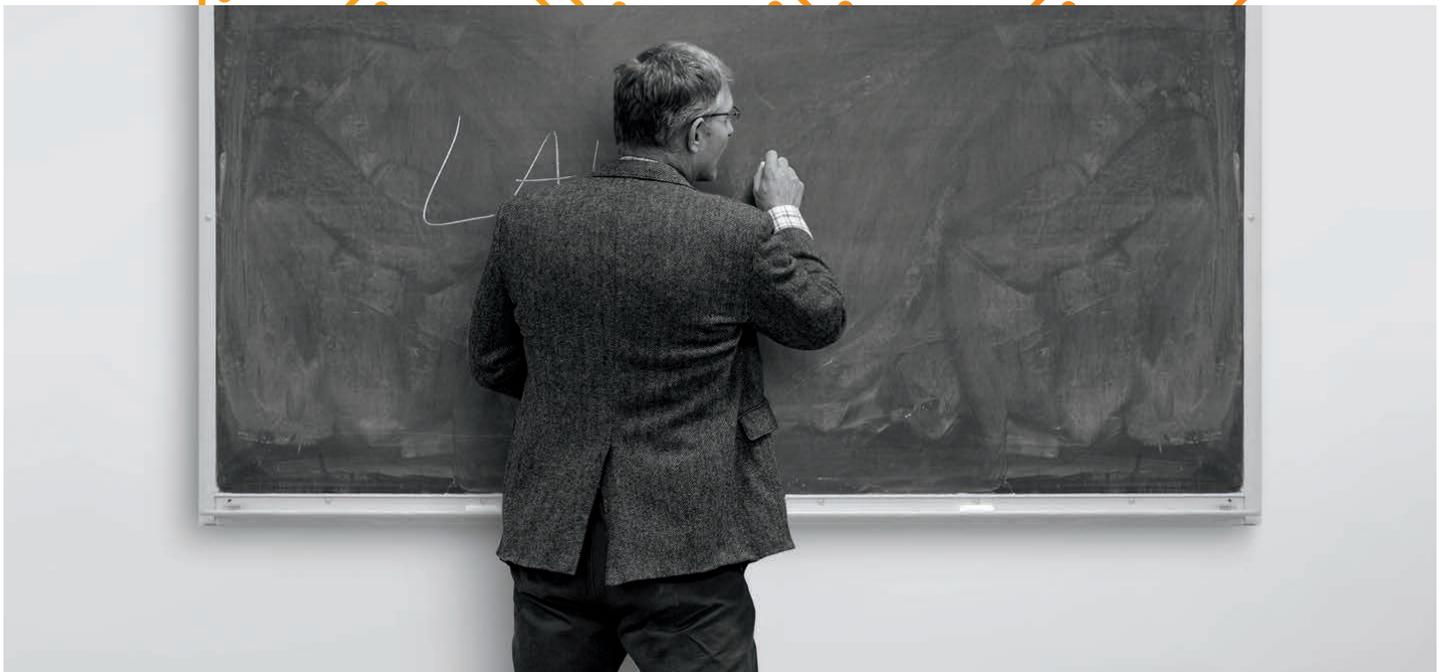
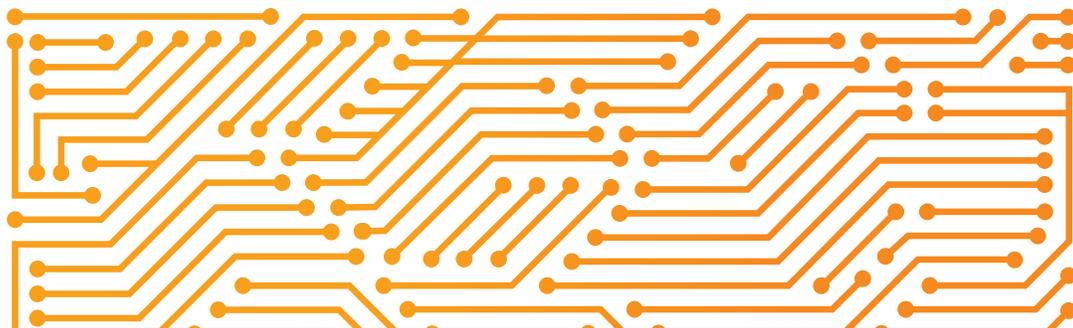
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RETURN MAIL

2019 WL 2412904

Only the Westlaw citation is currently available.
Supreme Court of the United States.

RETURN MAIL, INC., Petitioner

v.

UNITED STATES POSTAL SERVICE, et al.

No. 17-1594

Argued February 19, 2019

Decided June 10, 2019

Synopsis

Background: On review of covered-business-method (CBM) patent directed to processing of mail items that were undeliverable due to inaccurate or obsolete address for intended recipient, the United States Patent and Trademark Office, Patent Trial and Appeal Board, 2013 WL 5569433, determined that all of challenged claims were directed to ineligible subject matter. Assignee appealed. The Court of Appeals for the Federal Circuit, Prost, Chief Judge, 868 F.3d 1350, affirmed. Certiorari was granted.

Holdings: The Supreme Court, Justice Sotomayor, held that:

^[1] the presumption against treating the government as a “person” in the absence of an express definition of the term “person” in a statute applies even when doing so would exclude the government or one of its agencies from accessing a benefit or favorable procedural device, and

^[2] a federal agency is not a “person” able to seek review of the validity of a patent post-issuance pursuant to the three types of administrative review proceedings set forth in the Leahy-Smith America Invents Act of 2011 (AIA).

Reversed and remanded.

Justice Breyer filed a dissenting opinion in which Justices Ginsburg and Kagan joined.

West Headnotes (26)

^[1] **Patents** — Administrative Agencies; Patent and Trademark Office

Pursuant to its constitutional authority to “promote the Progress of Science and useful Arts,” Congress established the United States Patent and Trademark Office and tasked it with the granting and issuing of patents. U.S. Const. art. 1, § 8, cl. 8; 35 U.S.C.A. §§ 1, 2(a)(1).

Cases that cite this headnote

^[2] **Patents** — Patentability and Validity
Patents — Patent Applications and Proceedings

To obtain a patent, an inventor submits an application describing the proposed patent claims to the United States Patent and Trademark Office, after which a patent examiner reviews the application and “prior art,” that is, the information

available to the public at the time of the application, to determine whether the claims satisfy the statutory requirements for patentability, including that the claimed invention is useful, novel, nonobvious, and contains eligible subject matter. 35 U.S.C.A. §§ 101, 102, 103, 111(a)(1), 112.

Cases that cite this headnote

- [3] **Patents** → Territorial extent of rights
Patents → Term and Duration

If the United States Patent and Trademark Office accepts the claim and issues a patent, the patent owner generally obtains exclusive rights to the patented invention throughout the United States for 20 years. 35 U.S.C.A. §§ 154(a)(1), (2).

Cases that cite this headnote

- [4] **Patents** → Postissuance Proceedings
Patents → Invalidity of patent

After a patent issues, there are several avenues by which its validity can be revisited: in federal court during a defense to an infringement action, in an ex parte reexamination by the United States Patent and Trademark Office, or, pursuant to the Leahy-Smith America Invents Act of 2011 (AIA), in a suite of three post-issuance review proceedings before the Patent Trial and Appeal Board (PTAB). 35 U.S.C.A. §§ 282(b), 301(a), 302(a), 311, 321; Pub. L. No. 112-29, 125 Stat. 329-331.

Cases that cite this headnote

- [5] **Patents** → Patent Infringement

Generally, one who intrudes upon a patent without authorization “infringes the patent” and becomes subject to civil suit in the federal district courts, where the patent owner may demand a jury trial and seek monetary damages and injunctive relief. 35 U.S.C.A. §§ 271(a), 281-284.

Cases that cite this headnote

- [6] **United States** → Damages and profits
United States → Patents, use or infringement

If the federal government is the alleged patent infringer, the patent owner must sue the government in the United States Court of Federal Claims and may recover only “reasonable and entire compensation” for the unauthorized use. 28 U.S.C.A. § 1498(a).

Cases that cite this headnote

- [7] **Patents** → Invalidity of patent
Patents → Degree of proof

Once sued, an accused infringer can attempt to prove by clear and convincing evidence that the patent never should have issued in the first place; if a defendant succeeds in showing that the claimed invention falls short of one or more patentability requirements, the court may deem the patent invalid and absolve the defendant of liability. 35 U.S.C.A. § 282(b).

Cases that cite this headnote

[8] **Patents** → Ex Parte Reexamination

United States Patent and Trademark Office may reconsider the validity of issued patents through a procedure known as “ex parte reexamination.” 35 U.S.C.A. §§ 301(a), 302(a).

Cases that cite this headnote

[9] **Patents** → Inter partes review

“Inter partes review” provision of the Leahy-Smith America Invents Act of 2011 (AIA) permits “a person” other than the patent owner to petition for the review and cancellation of a patent on the grounds that the invention lacks novelty or nonobviousness in light of “patents or printed publications” existing at the time of the patent application. 35 U.S.C.A. § 311(a).

Cases that cite this headnote

[10] **Patents** → Post-grant review

“Post-grant review” provision of the Leahy-Smith America Invents Act of 2011 (AIA) permits “a person who is not the owner of a patent” to petition, within nine months of a patent’s issuance, for review and cancellation of the patent on any ground of patentability. 35 U.S.C.A. § 321.

Cases that cite this headnote

[11] **Patents** → Post-grant review

“Covered-business-method review” (CBM review) provision of the Leahy-Smith America Invents Act of 2011 (AIA) provides for changes to a patent that claims a method for performing data processing or other operations used in the practice or management of a financial product or service. 35 U.S.C.A. § 100 et seq.; Pub. L. No. 112-29, 125 Stat. 329-331.

Cases that cite this headnote

[12] **Patents** → Post-grant review

Under the Leahy-Smith America Invents Act of 2011 (AIA), “covered-business-method review” (CBM review) tracks the standards and procedures of post-grant review with two notable exceptions: CBM review is not limited to the nine months following issuance of a patent, and a “person” may file for CBM review only as a defense against a charge or suit for infringement. 35 U.S.C.A. § 100 et seq.; Pub. L. No. 112-29, 125 Stat. 329-331.

Cases that cite this headnote

[13] **Patents** → Inter partes review**Patents** → Post-grant review

The three post-issuance review proceedings established in the Leahy-Smith America Invents Act of 2011 (AIA) are adjudicatory in nature: review is conducted by a three-member panel of the Patent Trial and Appeal Board (PTAB), and the patent owner and challenger may seek discovery, file affidavits and other written memoranda, and request an oral hearing. 35 U.S.C.A. §§ 6(c), 316, 326; Pub. L. No. 112-29, 125 Stat. 329.

Cases that cite this headnote

[14] **Patents** → Degree of proof

Under the three post-issuance review proceedings set forth in the Leahy-Smith America Invents Act of 2011 (AIA), the petitioner has the burden of proving unpatentability by a preponderance of the evidence. 35 U.S.C.A. §§ 282, 316(e), 326(e).

Cases that cite this headnote

[15] **Patents** → Decisions reviewable; finality
Patents → Persons entitled to seek review or assert arguments; parties; standing

Under the three post-issuance review proceedings set forth in the Leahy-Smith America Invents Act of 2011 (AIA), any party “dissatisfied” with the final decision of the Patent Trial and Appeal Board (PTAB) may seek judicial review in the Court of Appeals for the Federal Circuit. 35 U.S.C.A. §§ 319, 329; Pub. L. No. 112-29, 125 Stat. 329-331.

Cases that cite this headnote

[16] **Statutes** → Application to government

In the absence of an express statutory definition, the court applies a longstanding interpretive presumption that “person” does not include the sovereign.

Cases that cite this headnote

[17] **Statutes** → Application to government

Presumption that, in the absence of an express statutory definition, “person” does not include the sovereign reflects “common usage” and is also an express directive from Congress via the Dictionary Act. 1 U.S.C.A. § 1.

Cases that cite this headnote

[18] **Statutes** → Application to government

Although the presumption that, in the absence of an express statutory definition, “person” does not include the sovereign is not a hard and fast rule of exclusion, it may be disregarded only upon some affirmative showing of statutory intent to the contrary.

Cases that cite this headnote

[19] **Statutes** → Application to government

Presumption against treating the government as a “person” in absence of express definition of term “person” in a statute is not limited to situations when statute would subject the government to liability but, rather, applies even when doing so would exclude the government or one of its agencies from accessing a benefit or favorable procedural device.

Cases that cite this headnote

[20] **Statutes** → Application to government

Although the presumption against treating the government as a statutory person in the absence of an express definition of the term “person” in a statute is particularly applicable where it is claimed that Congress has subjected the sovereign to liability to which it had not been subject before, it is hardly confined to such cases.

Cases that cite this headnote

[21] **Statutes** → Application to government

Although the party opposing use of the presumption against treating the government as a “person” in the absence of an express definition of the term “person” in a statute need not cite to an express contrary definition, it must point to some indication in the text or context of the statute that affirmatively shows Congress intended to include the government.

Cases that cite this headnote

[22] **Patents** → Persons entitled to seek review or assert arguments; parties; standing

Federal agency is not a “person” able to seek review of validity of a patent post-issuance pursuant to the three types of administrative review proceedings set forth in the Leahy-Smith America Invents Act of 2011 (AIA); patent statutes do not define term “person,” resulting in presumption that “person” does not include the sovereign, and there was no affirmative showing through statutory text, context, or otherwise that Congress intended to include the government, as term “person” was used in multiple conflicting ways, sometimes plainly including the government but sometimes plainly excluding it, there was no longstanding practice of government participation as third-party challenger in AIA review proceedings, and there was no anomaly in Congress’ affording nongovernmental actors expedient route to petition for AIA review proceedings while denying it to the government. 35 U.S.C.A. §§ 311, 321; Pub. L. No. 112-29, 125 Stat. 329-331.

Cases that cite this headnote

[23] **Statutes** → Similarity or difference

Although it is often true that when Congress uses a word to mean one thing in one part of the statute, it will mean the same thing elsewhere in the statute, this principle readily yields to context, especially when a statutory term is used throughout a statute and takes on “distinct characters” in distinct statutory provisions.

Cases that cite this headnote

[24] **Patents** → Invalidity of patent
Patents → Patentability and validity

Agencies retain the ability to assert defenses to patent infringement; once sued, an agency may, like any other accused infringer, argue that the patent is invalid, and the agency faces the same burden of proof as a defendant in any other infringement suit. 35 U.S.C.A. § 282.

Cases that cite this headnote

[25] **Patents** → Conclusiveness and Effect of Administrative Decisions

Estoppel provisions of the Leahy-Smith America Invents Act of 2011 (AIA) generally preclude a party from relitigating issues in any subsequent proceedings in federal district court, before the International Trade Commission, and, for inter partes

review and post-grant review, before the United States Patent and Trademark Office. 35 U.S.C.A. §§ 315(e), 325(e); Pub. L. No. 112-29, 125 Stat. 330.

Cases that cite this headnote

[26] Patents — In general; utility

US Patent 6,826,548. Cited.

Cases that cite this headnote

West Codenotes

Recognized as Unconstitutional

35 U.S.C.A. § 296(a)

Syllabus*

***1** The Leahy-Smith America Invents Act (AIA) of 2011 created the Patent Trial and Appeal Board, 35 U.S.C. § 6(c), and established three types of administrative review proceedings before the Board that enable a “person” other than the patent owner to challenge the validity of a patent post-issuance: (1) “inter partes review,” § 311; (2) “post-grant review,” § 321; and (3) “covered-business-method review” (CBM review), note following § 321. After an adjudicatory proceeding, the Board either confirms the patent claims or cancels some or all of them, §§ 318(b), 328(b). Any “dissatisfied” party may then seek judicial review in the Federal Circuit, §§ 319, 329. In addition to AIA review proceedings, a patent can be reexamined either in federal court during a defense to an infringement suit, § 282(b), or in an ex parte reexamination by the Patent Office, §§ 301(a), 302(a).

Return Mail, Inc., owns a patent that claims a method for processing undeliverable mail. The Postal Service subsequently introduced an enhanced address-change service to process undeliverable mail, which Return Mail asserted infringed its patent. The Postal Service petitioned for ex parte reexamination of the patent, but the Patent Office confirmed the patent’s validity. Return Mail then sued the Postal Service in the Court of Federal Claims, seeking compensation for the unauthorized use of its invention. While that suit was pending, the Postal Service petitioned for CBM review. The Patent Board concluded that the subject matter of Return Mail’s claims was ineligible to be patented and thus canceled the claims underlying its patent. The Federal Circuit affirmed, concluding, as relevant here, that the Government is a “person” eligible to petition for CBM review.

Held: The Government is not a “person” capable of instituting the three AIA review proceedings. Pp. -----.

(a) In the absence of an express definition of the term “person” in the patent statutes, the Court applies a “longstanding interpretive presumption that ‘person’ does not include the sovereign,” and thus excludes a federal agency like the Postal Service. *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U. S. 765, 780–781, 120 S.Ct. 1858, 146 L.Ed.2d 836. This presumption reflects “common usage,” *United States v. Mine Workers*, 330 U. S. 258, 275, 67 S.Ct. 677, 91 L.Ed. 884, as well as an express directive from Congress in the Dictionary Act, 1 U.S.C. § 1. The Dictionary Act does not include the Federal Government among the persons listed in the definition of “person” that courts use “[i]n determining the meaning of any Act of Congress, unless the context indicates otherwise,” § 1. Contrary to the Postal Service’s contention otherwise, this Court has, in several instances, applied the presumption against treating the Government as a statutory person even when, as here, doing so would exclude the Government or one of its agencies from accessing a benefit or favorable procedural device. See, e.g., *United States v. Cooper Corp.*, 312 U. S. 600, 604–605, 614, 61 S.Ct. 742, 85 L.Ed. 1071. Thus, the Court here proceeds from the presumption that the Government is not a “person” authorized to initiate these proceedings absent an affirmative showing to the contrary. Pp. -----.

***2** (b) The Postal Service must point to some indication in the AIA’s text or context affirmatively showing that Congress intended to include the Government as a “person,” but its arguments are unpersuasive. Pp. -----.

(1) The Postal Service first argues that the AIA's reference to a "person" in the context of post-issuance review proceedings must include the Government because other references to persons in the patent statutes appear to do so. The consistent-usage principle—*i.e.*, when Congress uses a word to mean one thing in one part of the statute, it will mean the same thing elsewhere in the statute—however, "'readily yields to context,'" especially when a statutory term is used throughout a statute and takes on "distinct characters" in distinct statutory provisions. *Utility Air Regulatory Group v. EPA*, 573 U. S. 302, 320, 134 S.Ct. 2427, 189 L.Ed.2d 372. Here, where there are at least 18 references to "person[s]" in the Patent Act and the AIA, no clear trend is shown: Sometimes "person" plainly includes or excludes the Government, but sometimes, as here, it might be read either way. The mere existence of some Government-inclusive references cannot make the "affirmative showing," *Stevens*, 529 U. S. at 781, 120 S.Ct. 1858, required to overcome the presumption that the Government is not a "person" eligible to petition for AIA review proceedings. Pp. -----.

(2) The Postal Service next points to the Federal Government's longstanding history with the patent system, arguing that because federal officers have been able to apply for patents in the name of the United States since 1883, Congress must have intended to allow the Government access to AIA review proceedings. But the Government's ability to obtain a patent does not speak to whether Congress meant for the Government to participate as a third-party challenger in AIA proceedings established only eight years ago. Moreover, even assuming that the Government may petition for ex parte reexamination of an issued patent, as a 1981 Patent Office Manual of Patent Examining Procedure (MPEP) indicates, an ex parte reexamination process is fundamentally different from an AIA review proceeding. The former process is internal, and the party challenging the patent may not participate. By contrast, adversarial, adjudicatory AIA review proceedings are between the "person" who petitioned for review and the patent owner; they include briefing, a hearing, discovery, and the presentation of evidence; and the losing party has appeal rights. Congress may have had good reason to authorize the Government to initiate a hands-off ex parte reexamination but not to become a party to the AIA's full-blown adversarial proceeding. Nothing suggests that Congress had the 1981 MPEP statement about ex parte reexamination in mind when it created the AIA review proceedings. And because there is no "settled" meaning of the term "person" with respect to the newly established AIA review proceedings, see *Bragdon v. Abbott*, 524 U. S. 624, 645, 118 S.Ct. 2196, 141 L.Ed.2d 540, the MPEP does not justify putting aside the presumptive meaning of "person." Pp. -----.

(3) Finally, the Postal Service argues that it must be a "person" who may petition for AIA review proceedings because, like other potential infringers, it is subject to civil liability and can assert a defense of patent invalidity. It would thus be anomalous, the Postal Service posits, to deny it a benefit afforded to other infringers—namely, the ability to challenge a patent *de novo* before the Patent Office, rather than only with clear and convincing evidence in defense to an infringement suit. Federal agencies, however, face lower and more calculable risks than nongovernmental actors, so it is reasonable for Congress to have treated them differently. Excluding federal agencies from AIA review proceedings also avoids the awkward situation of having a civilian patent owner defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency and overseen by a different federal agency. Pp. -----.

*3 868 F. 3d 1350, reversed and remanded.

SOTOMAYOR, J., delivered the opinion of the Court, in which ROBERTS, C. J., and THOMAS, ALITO, GORSUCH, and KAVANAUGH, JJ., joined. BREYER, J., filed a dissenting opinion, in which GINSBURG and KAGAN, JJ., joined.

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Opinion

Justice SOTOMAYOR delivered the opinion of the Court.

In the Leahy-Smith America Invents Act of 2011, 35 U.S.C. § 100 *et seq.*, Congress created the Patent Trial and Appeal Board and established three new types of administrative proceedings before the Board that allow a “person” other than the patent owner to challenge the validity of a patent post-issuance. The question presented in this case is whether a federal agency is a “person” able to seek such review under the statute. We conclude that it is not.

I

A

^[1]The Constitution empowers Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective ... Discoveries.” Art. I, § 8, cl. 8. Pursuant to that authority, Congress established the United States Patent and Trademark Office (Patent Office) and tasked it with “the granting and issuing of patents.” 35 U.S.C. §§ 1, 2(a)(1).

^[2] ^[3]To obtain a patent, an inventor submits an application describing the proposed patent claims to the Patent Office. See §§ 111(a)(1), 112. A patent examiner then reviews the application and prior art (the information available to the public at the time of the application) to determine whether the claims satisfy the statutory requirements for patentability, including that the claimed invention is useful, novel, nonobvious, and contains eligible subject matter. See §§ 101, 102, 103. If the Patent Office accepts the claim and issues a patent, the patent owner generally obtains exclusive rights to the patented invention throughout the United States for 20 years. §§ 154(a)(1), (2).

^[4] ^[5] ^[6]After a patent issues, there are several avenues by which its validity can be revisited. The first is through a defense in an infringement action. Generally, one who intrudes upon a patent without authorization “infringes the patent” and becomes subject to civil suit in the federal district courts, where the patent owner may demand a jury trial and seek monetary damages and injunctive relief. §§ 271(a), 281–284. If, however, the Federal Government is the alleged patent infringer, the patent owner must sue the Government in the United States Court of Federal Claims and may recover only “reasonable and entire compensation” for the unauthorized use. 28 U.S.C. § 1498(a).

^[7]Once sued, an accused infringer can attempt to prove by clear and convincing evidence “that the patent never should have issued in the first place.” *Microsoft Corp. v. i4i L. P.*, 564 U. S. 91, 96–97, 131 S.Ct. 2238, 180 L.Ed.2d 131 (2011); see 35 U.S.C. § 282(b). If a defendant succeeds in showing that the claimed invention falls short of one or more patentability requirements, the court may deem the patent invalid and absolve the defendant of liability.

^[8]The Patent Office may also reconsider the validity of issued patents. Since 1980, the Patent Act has empowered the Patent Office “to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo Speed Technologies, LLC v. Lee*, 579 U. S. ----, ----, 136 S.Ct. 2131, 2137, 195 L.Ed.2d 423 (2016). This procedure is known as *ex parte* reexamination. “Any person at any time” may cite to the Patent Office certain prior art that may “bea[r] on the patentability of any claim of a particular patent”; and the person may additionally request that the Patent Office reexamine the claim on that basis. 35 U.S.C. §§ 301(a), 302(a). If the Patent Office concludes that the prior art raises “a substantial new question of patentability,” the agency may reexamine the patent and, if warranted, cancel the patent or some of its claims. §§ 303(a), 304–307. The Director of the Patent Office may also, on her “own initiative,” initiate such a proceeding. § 303(a).

*4 In 1999 and 2002, Congress added an “inter partes reexamination” procedure, which similarly invited “[a]ny person at any time” to seek reexamination of a patent on the basis of prior art and allowed the challenger to participate in the administrative proceedings and any subsequent appeal. See § 311(a) (2000 ed.); §§ 314(a), (b) (2006 ed.); *Cuozzo Speed Technologies*, 579 U. S., at ----, 136 S.Ct., at 2137.

B

In 2011, Congress overhauled the patent system by enacting the America Invents Act (AIA), which created the Patent Trial and Appeal Board and phased out inter partes reexamination. See 35 U.S.C. § 6; H. R. Rep. No. 112–98, pt. 1, pp. 46–47. In its stead, the AIA tasked the Board with overseeing three new types of post-issuance review proceedings.

^[9]First, the “inter partes review” provision permits “a person” other than the patent owner to petition for the review and cancellation of a patent on the grounds that the invention lacks novelty or nonobviousness in light of “patents or printed publications” existing at the time of the patent application. § 311.

^[10]Second, the “post-grant review” provision permits “a person who is not the owner of a patent” to petition for review and cancellation of a patent on any ground of patentability. § 321; see §§ 282(b)(2), (b)(3). Such proceedings must be brought within nine months of the patent’s issuance. § 321.

^[11] ^[12]Third, the “covered-business-method review” (CBM review) provision provides for changes to a patent that claims a method for performing data processing or other operations used in the practice or management of a financial product or service. AIA §§ 18(a)(1), (d)(1), 125 Stat. 329, note following 35 U.S.C. § 321, p. 1442. CBM review tracks the “standards and procedures of” post-grant review with two notable exceptions: CBM review is not limited to the nine months following issuance of a patent, and “[a] person” may file for CBM review only as a defense against a charge or suit for infringement. § 18(a)(1)(B), 125 Stat. 330.¹

^[13] ^[14] ^[15]The AIA’s three post-issuance review proceedings are adjudicatory in nature. Review is conducted by a three-member panel of the Patent Trial and Appeal Board, 35 U.S.C. § 6(c), and the patent owner and challenger may seek discovery, file affidavits and other written memoranda, and request an oral hearing, see §§ 316, 326; AIA § 18(a)(1), 125 Stat. 329; *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 584 U. S. ----, ---- - ----, 138 S.Ct. 1365, 1371–72, 200 L.Ed.2d 671 (2018). The petitioner has the burden of proving unpatentability by a preponderance of the evidence. §§ 282, 316(e), 326(e). The Board then either confirms the patent claims or cancels some or all of the claims. §§ 318(b), 328(b). Any party “dissatisfied” with the Board’s final decision may seek judicial review in the Court of Appeals for the Federal Circuit, §§ 319, 329; see § 141(c), and the Director of the Patent Office may intervene, § 143.

In sum, in the post-AIA world, a patent can be reexamined either in federal court during a defense to an infringement action, in an ex parte reexamination by the Patent Office, or in the suite of three post-issuance review proceedings before the Patent Trial and Appeal Board. The central question in this case is whether the Federal Government can avail itself of the three post-issuance review proceedings, including CBM review.

C

***5** Return Mail, Inc., owns U. S. Patent No. 6,826,548 (‘548 patent), which claims a method for processing mail that is undeliverable. Beginning in 2003, the United States Postal Service allegedly began exploring the possibility of licensing Return Mail’s invention for use in handling the country’s undelivered mail. But the parties never reached an agreement.

In 2006, the Postal Service introduced an enhanced address-change service to process undeliverable mail. Return Mail’s representatives asserted that the new service infringed the ‘548 patent, and the company renewed its offer to license the claimed invention to the Postal Service. In response, the Postal Service petitioned for ex parte reexamination of the ‘548 patent. The Patent Office canceled the original claims but issued several new ones, confirming the validity of the ‘548 patent. Return Mail then sued the Postal Service in the Court of Federal Claims, seeking compensation for the Postal Service’s unauthorized use of its invention, as reissued by the Patent Office.

While the lawsuit was pending, the Postal Service again petitioned the Patent Office to review the ‘548 patent, this time seeking CBM review. The Patent Board instituted review. The Board agreed with the Postal Service that Return Mail’s patent claims subject matter that was ineligible to be patented, and it canceled the claims underlying the ‘548 patent. A divided panel of the Court of Appeals for the Federal Circuit affirmed. See 868 F.3d 1350 (2017). As relevant here, the Federal Circuit held, over a dissent, that the Government is a “person” eligible to petition for CBM review. *Id.*, at 1366; see AIA § 18(a)(1)(B), 125 Stat. 330 (only a qualifying “person” may petition for CBM review). The court then affirmed the Patent Board’s decision on the merits, invalidating Return Mail’s patent claims.

We granted certiorari to determine whether a federal agency is a “person” capable of petitioning for post-issuance review under the AIA.² 586 U. S. ----, 139 S.Ct. 397, 202 L.Ed.2d 309 (2018).

II

The AIA provides that only “a person” other than the patent owner may file with the Office a petition to institute a post-grant review or inter partes review of an issued patent. 35 U.S.C. §§ 311(a), 321(a). The statute likewise provides that a “person” eligible to seek CBM

review may not do so “unless the person or the person’s real party in interest or privy has been sued for infringement.” AIA § 18(a)(1)(B), 125 Stat. 330. The question in this case is whether the Government is a “person” capable of instituting the three AIA review proceedings.

A

^[16]The patent statutes do not define the term “person.” In the absence of an express statutory definition, the Court applies a “longstanding interpretive presumption that ‘person’ does not include the sovereign,” and thus excludes a federal agency like the Postal Service. *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U. S. 765, 780–781, 120 S.Ct. 1858, 146 L.Ed.2d 836 (2000); see *United States v. Mine Workers*, 330 U. S. 258, 275, 67 S.Ct. 677, 91 L.Ed. 884 (1947); *United States v. Cooper Corp.*, 312 U. S. 600, 603–605, 61 S.Ct. 742, 85 L.Ed. 1071 (1941); *United States v. Fox*, 94 U. S. 315, 321, 24 L.Ed. 192 (1877).

*6 ^[17] ^[18]This presumption reflects “common usage.” *Mine Workers*, 330 U. S. at 275, 67 S.Ct. 677. It is also an express directive from Congress: The Dictionary Act has since 1947 provided the definition of “ ‘person’ ” that courts use “[i]n determining the meaning of any Act of Congress, unless the context indicates otherwise.” 1 U.S.C. § 1; see *Rowland v. California Men’s Colony, Unit II Men’s Advisory Council*, 506 U. S. 194, 199–200, 113 S.Ct. 716, 121 L.Ed.2d 656 (1993). The Act provides that the word “ ‘person’ ... include[s] corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals.” § 1. Notably absent from the list of “person[s]” is the Federal Government. See *Mine Workers*, 330 U. S. at 275, 67 S.Ct. 677 (reasoning that Congress’ express inclusion of partnerships and corporations in § 1 implies that Congress did not intend to include the Government). Thus, although the presumption is not a “hard and fast rule of exclusion,” *Cooper*, 312 U. S. at 604–605, 61 S.Ct. 742, “it may be disregarded only upon some affirmative showing of statutory intent to the contrary,” *Stevens*, 529 U. S. at 781, 120 S.Ct. 1858.

^[19]The Postal Service contends that the presumption is strongest where interpreting the word “person” to include the Government imposes liability on the Government, and is weakest where (as here) interpreting “person” in that way benefits the Government. In support of this argument, the Postal Service points to a different interpretive canon: that Congress must unequivocally express any waiver of sovereign immunity for that waiver to be effective. See *FAA v. Cooper*, 566 U. S. 284, 290, 132 S.Ct. 1441, 182 L.Ed.2d 497 (2012). That clear-statement rule inherently applies only when a party seeks to hold the Government liable for its actions; otherwise immunity is generally irrelevant. In the Postal Service’s view, the presumption against treating the Government as a statutory person works in tandem with the clear-statement rule regarding immunity, such that both apply only when a statute would subject the Government to liability.

Our precedents teach otherwise. In several instances, this Court has applied the presumption against treating the Government as a statutory person when there was no question of immunity, and doing so would instead exclude the Federal Government or one of its agencies from accessing a benefit or favorable procedural device. In *Cooper*, 312 U. S. at 604–605, 614, 61 S.Ct. 742, for example, the Court held that the Federal Government was not “ ‘[a]ny person’ ” who could sue for treble damages under § 7 of the Sherman Anti-Trust Act. Accord, *International Primate Protection League v. Administrators of Tulane Ed. Fund*, 500 U. S. 72, 82–84, 111 S.Ct. 1700, 114 L.Ed.2d 134 (1991) (concluding that the National Institutes of Health was not authorized to remove an action as a “ ‘person acting under [a federal]’ officer” pursuant to 28 U.S.C. § 1442(a)(1)); *Davis v. Pringle*, 268 U. S. 315, 317–318, 45 S.Ct. 549, 69 L.Ed. 974 (1925) (reasoning that “normal usages of speech” indicated that the Government was not a “person” entitled to priority under the Bankruptcy Act); *Fox*, 94 U. S. at 321 (holding that the Federal Government was not a “ ‘person capable by law of holding real estate,’ ” absent “an express definition to that effect”).

^[20]Thus, although the presumption against treating the Government as a statutory person is “ ‘particularly applicable where it is claimed that Congress has subjected the [sovereign] to liability to which they had not been subject before,’ ” *Stevens*, 529 U. S. at 781, 120 S.Ct. 1858, it is hardly confined to such cases. Here, too, we proceed from the presumption that the Government is not a “person” authorized to initiate these proceedings absent an affirmative showing to the contrary.

B

^[21]Given the presumption that a statutory reference to a “person” does not include the Government, the Postal Service must show that the AIA’s context indicates otherwise. Although the Postal Service need not cite to “an express contrary definition,” *Rowland*, 506 U. S. at 200, 113 S.Ct. 716, it must point to some indication in the text or context of the statute that affirmatively shows Congress intended to include the Government. See *Cooper*, 312 U. S. at 605, 61 S.Ct. 742.

***7** ^[22]The Postal Service makes three arguments for displacing the presumption. First, the Postal Service argues that the statutory text and context offer sufficient evidence that the Government is a “person” with the power to petition for AIA review proceedings. Second, the Postal Service contends that federal agencies’ long history of participation in the patent system suggests that Congress intended for the Government to participate in AIA review proceedings as well. Third, the Postal Service maintains that the statute must permit it to petition for AIA review because § 1498 subjects the Government to liability for infringement. None delivers.

1

^[23]The Postal Service first argues that the AIA’s reference to a “person” in the context of post-issuance review proceedings must include the Government because other references to persons in the patent statutes appear to do so. Indeed, it is often true that when Congress uses a word to mean one thing in one part of the statute, it will mean the same thing elsewhere in the statute. See *Merrill Lynch, Pierce, Fenner & Smith Inc. v. Dabit*, 547 U. S. 71, 86, 126 S.Ct. 1503, 164 L.Ed.2d 179 (2006). This principle, however, “readily yields to context,” especially when a statutory term is used throughout a statute and takes on “distinct characters” in distinct statutory provisions. See *Utility Air Regulatory Group v. EPA*, 573 U. S. 302, 320, 134 S.Ct. 2427, 189 L.Ed.2d 372 (2014) (internal quotation marks omitted). That is the case here. The Patent Act and the AIA refer to “person[s]” in at least 18 different places, and there is no clear trend: Sometimes “person” plainly includes the Government,³ sometimes it plainly excludes the Government,⁴ and sometimes—as here—it might be read either way.

Looking on the bright side, the Postal Service and the dissent, see *post*, at ----, focus on § 207(a)(1), which authorizes “[e]ach [f]ederal agency” to “apply for, obtain, and maintain patents or other forms of protection ... on inventions in which the Federal Government owns a right, title, or interest.” It follows from § 207(a)(1)’s express inclusion of federal agencies among those eligible to apply for patents that the statute’s references to “person[s]” in the subsections governing the patent-application process and questions of patentability (§§ 102(a), 118, and 119) must also include federal agencies.⁵ In other words, the right described in § 207(a)(1) provides a sufficient contextual clue that the word “person”—when used in the other provisions governing the application process § 207(a)(1) makes available to federal agencies—includes the Government.

***8** But § 207(a)(1) provides no such clue as to the interpretation of the AIA review provisions because it implies nothing about what a federal agency may or may not do following the issuance of someone else’s patent. Conversely, reading the review provisions to exclude the Government has no bearing on a federal agency’s right to obtain a patent under § 207(a)(1). An agency may still apply for and obtain patents whether or not it may petition for a review proceeding under the AIA seeking cancellation of a patent it does not own. There is thus no reason to think that “person” must mean the same thing in these two different parts of the statute. See *Utility Air*, 573 U. S. at 320, 134 S.Ct. 2427.⁶

The Postal Service cites other provisions that may refer to the Government—namely, the “intervening rights” provisions that offer certain protections for “any person” who is lawfully making or using an invention when the Patent Office modifies an existing patent claim in a way that deems the person’s (previously lawful) use to be infringement. See §§ 252, 307(b), 318(c), 328(c). The Postal Service argues that the Government must be among those protected by these provisions and from there deduces that it must also be permitted to petition for AIA review proceedings because the review provisions and the intervening-rights provisions were all added to the Patent Act by the AIA at the same time. See *Powerex Corp. v. Reliant Energy Services, Inc.*, 551 U. S. 224, 232, 127 S.Ct. 2411, 168 L.Ed.2d 112 (2007) (invoking the consistent-usage canon where the same term was used in related provisions enacted at the same time).

But regardless of whether the intervening-rights provisions apply to the Government (a separate interpretive question that we have no occasion to answer here), the Postal Service’s chain of inferences overlooks a confounding link: The consistent-usage canon breaks down where Congress uses the same word in a statute in multiple conflicting ways. As noted, that is the case here. In the face of such inconsistency, the mere existence of some Government-inclusive references cannot make the “affirmative showing,” *Stevens*, 529 U. S. at 781, 120 S.Ct. 1858, required to overcome the presumption that Congress did not intend to include the Government among those “person[s]” eligible to petition for AIA review proceedings.⁷

2

The Postal Service next points to the Federal Government’s longstanding history with the patent system. It reminds us that federal officers have been able to apply for patents in the name of the United States since 1883, see Act of Mar. 3, 1883, 22 Stat. 625—which,

in the Postal Service's view, suggests that Congress intended to allow the Government access to AIA review proceedings as well. But, as already explained, the Government's ability to obtain a patent under § 207(a)(1) does not speak to whether Congress meant for the Government to participate as a third-party challenger in AIA review proceedings. As to those proceedings, there is no longstanding practice: The AIA was enacted just eight years ago.⁸

***9** More pertinently, the Postal Service and the dissent both note that the Patent Office since 1981 has treated federal agencies as "persons" who may cite prior art to the agency or request an ex parte reexamination of an issued patent. See *post*, at ----. Recall that § 301(a) provides that "[a]ny person at any time may cite to the Office in writing ... prior art ... which that person believes to have a bearing on the patentability of any claim of a particular patent." As memorialized in the Patent Office's Manual of Patent Examining Procedure (MPEP), the agency has understood § 301's reference to "any person" to include "governmental entit[ies]." Dept. of Commerce, Patent and Trademark Office, MPEP §§ 2203, 2212 (4th rev. ed., July 1981).

We might take account of this "executive interpretation" if we were determining whether Congress meant to include the Government as a "person" for purposes of the ex parte reexamination procedures themselves. See, e.g., *United States v. Hermanos y Compañía*, 209 U. S. 337, 339, 28 S.Ct. 532, 52 L.Ed. 821 (1908). Here, however, the Patent Office's statement in the 1981 MPEP has no direct relevance. Even assuming that the Government may petition for ex parte reexamination, ex parte reexamination is a fundamentally different process than an AIA post-issuance review proceeding.⁹ Both share the common purpose of allowing non-patent owners to bring questions of patent validity to the Patent Office's attention, but they do so in meaningfully different ways.

In an ex parte reexamination, the third party sends information to the Patent Office that the party believes bears on the patent's validity, and the Patent Office decides whether to reexamine the patent. If it decides to do so, the reexamination process is internal; the challenger is not permitted to participate in the Patent Office's process. See 35 U.S.C. §§ 302, 303. By contrast, the AIA post-issuance review proceedings are adversarial, adjudicatory proceedings between the "person" who petitioned for review and the patent owner: There is briefing, a hearing, discovery, and the presentation of evidence, and the losing party has appeal rights. See *supra*, at ---- - ----. Thus, there are good reasons Congress might have authorized the Government to initiate a hands-off ex parte reexamination but not to become a party to a full-blown adversarial proceeding before the Patent Office and any subsequent appeal. After all, the Government is already in a unique position among alleged infringers given that 28 U.S.C. § 1498 limits patent owners to bench trials before the Court of Federal Claims and monetary damages, whereas 35 U.S.C. § 271 permits patent owners to demand jury trials in the federal district courts and seek other types of relief.

Thus, there is nothing to suggest that Congress had the 1981 MPEP statement in mind when it enacted the AIA. It is true that this Court has often said, "[w]hen administrative and judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its administrative and judicial interpretations as well." *Bragdon v. Abbott*, 524 U. S. 624, 645, 118 S.Ct. 2196, 141 L.Ed.2d 540 (1998). But there is no "settled" meaning of the term "person" with respect to the newly established AIA review proceedings. Accordingly, the MPEP does not justify putting aside the presumptive meaning of "person" here.

3

***10** Finally, the Postal Service argues that it must be a "person" who may petition for AIA review proceedings because, like other potential infringers, it is subject to civil liability and can assert a defense of patent invalidity. See §§ 282(b)(2)–(3). In the Postal Service's view, it is anomalous to deny it a benefit afforded to other infringers—the ability to challenge a patent *de novo* before the Patent Office, rather than only as an infringement defense that must be proved by clear and convincing evidence. See *ibid.*; *Microsoft Corp.*, 564 U. S. at 95, 131 S.Ct. 2238 (holding that § 282's presumption of validity in litigation imposes a clear and convincing evidence standard on defendants seeking to prove invalidity).

^[24]The Postal Service overstates the asymmetry. Agencies retain the ability under § 282 to assert defenses to infringement. Once sued, an agency may, like any other accused infringer, argue that the patent is invalid, and the agency faces the same burden of proof as a defendant in any other infringement suit. The Postal Service lacks only the additional tool of petitioning for the initiation of an administrative proceeding before the Patent Office under the AIA, a process separate from defending an infringement suit.

^[25]We see no oddity, however, in Congress' affording nongovernmental actors an expedient route that the Government does not also enjoy for heading off potential infringement suits. Those other actors face greater and more uncertain risks if they misjudge

their right to use technology that is subject to potentially invalid patents. Most notably, § 1498 restricts a patent owner who sues the Government to her “reasonable and entire compensation” for the Government’s infringing use; she cannot seek an injunction, demand a jury trial, or ask for punitive damages, all of which are available in infringement suits against nongovernmental actors under § 271(e)(4). Thus, although federal agencies remain subject to damages for impermissible uses, they do not face the threat of preliminary injunctive relief that could suddenly halt their use of a patented invention, and they enjoy a degree of certainty about the extent of their potential liability that ordinary accused infringers do not. Because federal agencies face lower risks, it is reasonable for Congress to have treated them differently.¹⁰

Finally, excluding federal agencies from the AIA review proceedings avoids the awkward situation that might result from forcing a civilian patent owner (such as Return Mail) to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency (such as the Postal Service) and overseen by a different federal agency (the Patent Office). We are therefore unpersuaded that the Government’s exclusion from the AIA review proceedings is sufficiently anomalous to overcome the presumption that the Government is not a “person” under the Act.¹¹

III

***11** For the foregoing reasons, we hold that a federal agency is not a “person” who may petition for post-issuance review under the AIA. The judgment of the United States Court of Appeals for the Federal Circuit is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice BREYER, with whom Justice GINSBURG and Justice KAGAN join, dissenting.

When A sues B for patent infringement, B may defend against the lawsuit by claiming that A’s patent is invalid. In court, B must prove the invalidity of A’s patent by “clear and convincing evidence.” *Microsoft Corp. v. i4i L. P.*, 564 U. S. 91, 95, 131 S.Ct. 2238, 180 L.Ed.2d 131 (2011). Congress, however, has also established a variety of *administrative* procedures that B may use to challenge the validity of A’s patent. Although some of the statutes setting forth these administrative procedures have existed for several decades, we consider here the three administrative procedures that Congress established in the Leahy-Smith America Invents Act of 2011. See *ante*, at ----- . All three involve hearings before the Patent Trial and Appeal Board, which is part of the Patent and Trademark Office. And all three involve a lower burden of proof: B need only prove by a preponderance of the evidence that A’s patent is invalid. 35 U.S.C. §§ 316(e), 326(e); see America Invents Act, § 18(a)(1), 125 Stat. 329.

The America Invents Act states that all three administrative procedures may be invoked only by a “person.” 35 U.S.C. §§ 311(a), 321(a); America Invents Act, § 18(a)(1)(B), 125 Stat. 330. Here we must decide whether the Government falls within the scope of the word “person.” Are federal agencies entitled to invoke these administrative procedures on the same terms as private parties? In my view, the answer is “yes.” For purposes of these statutes, Government agencies count as “persons” and so may invoke these procedures to challenge the validity of a patent.

The Court reaches the opposite conclusion based on the interpretive presumption that the word “person” excludes the Government. See *ante*, at -----. This presumption, however, is “no hard and fast rule of exclusion.” *United States v. Cooper Corp.*, 312 U. S. 600, 604–605, 61 S.Ct. 742, 85 L.Ed. 1071 (1941). We have long said that this presumption may be overcome when “ ‘[t]he purpose, the subject matter, the context, the legislative history, [or] the executive interpretation ... indicate an intent’ ” to include the Government. *International Primate Protection League v. Administrators of Tulane Ed. Fund*, 500 U. S. 72, 83, 111 S.Ct. 1700, 114 L.Ed.2d 134 (1991) (quoting *Cooper, supra*, at 605, 61 S.Ct. 742). And here these factors indicate that very intent.

I

The language of other related patent provisions strongly suggests that, in the administrative review statutes at issue here, the term “person” includes the Government.

The Patent Act states that “[e]ach Federal agency is authorized” to “apply for, obtain, and maintain patents or other forms of protection ... on inventions in which the Federal Government owns a right, title, or interest.” 35 U.S.C. § 207(a)(1). The Act then provides that a “person” shall be “entitled to a patent” if various “[c]onditions for patentability” have been met. § 102(a)(1) (emphasis added). It authorizes a “person to whom the inventor has assigned” an invention to apply for a patent in some circumstances. § 118 (emphasis added). And it generally allows “any person” who initially files a patent application in a foreign country to obtain in the United States the advantage of that earlier filing date. § 119 (emphasis added). Because the Government is authorized to “obtain” patents, there is no dispute here that the word “person” in these patent-eligibility provisions must include the Government. See *ante*, at ---- - ----.

***12** Now consider a few of the statutory provisions that help those *accused of infringing* a patent. Suppose A obtains a patent in Year One, modifies this patent in Year Three, and then accuses B of infringing the patent *as modified* in Year Five. What if B’s conduct infringes the modified patent but did not infringe A’s patent as it originally stood in Year One? In these circumstances, Congress has provided that A generally cannot win an infringement suit against B. The relevant statutes, known as the “intervening rights” provisions, state that B is entitled to a defense that his conduct did not violate the original, unmodified patent. §§ 252, 307(b), 318(c), 328(c). These statutes, several of which were enacted alongside the three administrative review procedures in the America Invents Act, provide that a “person” may take advantage of this defense. *Ibid.* (emphasis added). Again, as the parties all agree, the word “person” in these provisions includes the Government. See Reply Brief 3; *Lamson v. United States*, 117 Fed. Cl. 755, 760 (2014) (noting that the Government may “avail itself of any defense that is available to a private party in an infringement action”).

The majority refers to several patent-related provisions that use the word “person” but that do not include the Government within the scope of that term. See *ante*, at ----, and n. 4. These provisions, however, concern details of administration that, almost by definition, could not involve an entity such as the Government. The first provision cited by the majority says that administrative patent judges must be “persons of competent legal knowledge and scientific ability.” § 6(a). Patent judges are human beings, not governments or corporations or other artificial entities. The second requires the Patent Office to keep confidential a referral to the Attorney General of possible fraud unless the Government charges “a person” with a related criminal offense. § 257(e). Although the word “person” here could refer to a corporation, it cannot refer to the Government, for governments do not charge themselves with crimes. The third concerns payment for the “subsistence expenses and travel-related expenses” of “persons” who attend certain programs relating to intellectual property law. § 2(b)(11). But governments as entities do not travel, attend events, or incur expenses for “subsistence” or “lodging”; only their employees do. *Ibid.* (The majority also refers to a fourth provision, which defines a “joint research agreement” as an agreement between “2 or more persons or entities.” § 100(h). If the Government is not a “person” under this provision, it is only because the adjacent term “entities” already covers the Government.)

The fact that the word “person” does not apply to the Government where that application is close to logically impossible proves nothing at all about the word’s application here. On the one hand, Congress has used the word “person” to refer to Government agencies when the statute concerns the criteria for obtaining patents, or when the statute concerns the availability of certain infringement defenses. On the other, Congress has *not* used the word “person” to refer to Government agencies when doing so would be close to logically impossible, or where the context otherwise makes plain that the Government is not a “person.” The provisions at issue here, which establish administrative procedures for the benefit of parties accused of infringement, are much closer to the former category than the latter. It therefore makes little sense to presume that the word “person” excludes the Government, for the surrounding provisions point to the opposite conclusion.

II

The statutes’ purposes, as illuminated by the legislative history and longstanding executive interpretation, show even more clearly that Congress intended the term “person” to include the Government in this context.

Congress enacted the new administrative review procedures for two basic reasons. *First*, Congress sought to “improve the quality of patents” and “make the patent system more efficient” by making it easier to challenge “questionable patents.” H. R. Rep. No. 112–98, pt. 1, pp. 39, 48 (2011); see *id.*, at 39 (noting the “growing sense that questionable patents are too easily obtained and are too difficult to challenge”); *id.*, at 45 (explaining that pre-existing administrative procedures were “less viable alternativ[es] to litigation ... than Congress intended”). Congress’ goal of providing an easier way for parties to challenge “questionable patents” is implicated to the same extent whether the Government or a private party is the one accused of infringing an invalid patent. That is perhaps why the Executive Branch has long indicated that Government agencies count as “perso[ns]” who are entitled to invoke the administrative

review procedures that predate the America Invents Act. See Dept. of Commerce, Patent and Trademark Office, Manual of Patent Examining Procedure §§ 2203, 2212 (4th rev. ed., Sept. 1982).

***13** *Second*, the statutes help maintain a robust patent system in another way: They allow B, a patent holder who might be sued for infringing A's (related) patent, to protect B's own patent by more easily proving the invalidity of A's patent. Insofar as this objective underlies the statutes at issue here, it applies to the same extent whether B is a private person or a Government agency. Indeed, the Patent Act explicitly states that the Government may "maintain" patents and "undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government." 35 U.S.C. §§ 207(a)(1), (3). And the use of administrative procedures to "protect" a patented invention from claims of infringement (by clearing away conflicting patents that cover the same or similar ground) would seem to be "suitable and necessary" whether a private person or a Government agency invokes these procedures. Cf. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 579 U.S. ----, ----, 136 S.Ct. 1923, 1935, 195 L.Ed.2d 278 (2016) (noting that a third-party patent covering part of an invention may be used to exact "licensing fees" from the inventor); *Acorda Therapeutics, Inc. v. Roxane Laboratories, Inc.*, 903 F.3d 1310, 1337 (CA Fed. 2018) (explaining that a third-party patent covering part of an invention may be used to deter or curtail the inventor's use of the invention).

The majority responds that allowing a Government agency to invoke these administrative procedures would create an "awkward situation," as one Government agency—namely, the Patent Office—would end up adjudicating the patent rights of another Government agency. *Ante*, at ----. But why is that "awkward"? In the field of patent law, a Government agency facing a possible infringement suit has long been thought legally capable of invoking other forms of administrative review. See Manual of Patent Examining Procedure §§ 2203, 2212. Moreover, the statutes before us presumably would permit a private party to invoke any of the three new procedures to challenge a Government patent. In such cases, one Government agency, the Patent Office, would be asked to adjudicate the patent rights of another. Thus, the situation the majority attempts to avoid is already baked into the cake.

The majority also says that because federal agencies "do not face the threat of preliminary injunctive relief" when they are sued for patent infringement, Congress could have reasonably concluded that it was not necessary for the Government to be able to use the administrative procedures at issue here. *Ante*, at ----; see 28 U.S.C. § 1498(a) (limiting the patentee to "reasonable and entire compensation" for infringement by the Government). But patent infringement suits against the Government still threaten to impose large damages awards. See, e.g., *Hughes Aircraft Co. v. United States*, 31 Fed. Cl. 481, 488 (1994) (indicating that the value of the infringing technologies developed by the Government exceeded \$ 3.5 billion); *Pet. for Cert. in United States v. Hughes Aircraft Co.*, 525 U.S. 1177, 119 S.Ct. 1112, 143 L.Ed.2d 108 (1999) (noting that damages ultimately exceeded \$ 100 million). That fact can create a strong need for speedy resolution of a dispute over patent validity.

When, for example, the Department of Homeland Security recently instituted a research initiative to equip cell phones with hazardous-materials sensors in order to mitigate the risk of terrorist attacks, it faced an infringement lawsuit that threatened to interfere with the project. See *Golden v. United States*, 129 Fed. Cl. 630 (2016); Brief for Prof. Tejas N. Narechania as *Amicus Curiae* 9. When the Federal Communications Commission tried to ensure that cell phones would be able to provide their current location automatically to 911 operators, the threat of infringement litigation delayed the deployment of technologies designed to comply with that requirement. Narechania, *Patent Conflicts*, 103 *Geo. L. J.* 1483, 1498–1501 (2015). And when Congress enacted statutes requiring the examination of electronic passports at airports, the Government faced the threat of an infringement suit because airlines could not "comply with [their] legal obligations" without engaging in activities that would allegedly infringe an existing patent. *IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359, 1362 (CA Fed. 2014); see *id.*, at 1363 (concluding that the Government may be sued based on the infringing activities of airlines).

***14** I express no view on the merits of these actions. I simply point out that infringement suits against the Government can threaten to injure Government interests even absent the threat of injunctive relief. That fact runs counter to the majority's efforts to find an explanation for *why* Congress would have wanted to deny Government agencies the ability to invoke the speedier administrative procedures established by the America Invents Act.

* * *

That, in my view, is the basic question: Why? Government agencies can apply for and obtain patents; they can maintain patents; they can sue other parties for infringing their patents; they can be sued for infringing patents held by private parties; they can invoke certain defenses to an infringement lawsuit on the same terms as private parties; they can invoke one of the pre-existing administrative procedures for challenging the validity of a private party's patents; and they can be forced to defend their own patents

when a private party invokes one of the three procedures established by the America Invents Act. Why, then, would Congress have declined to give federal agencies the power to invoke these same administrative procedures?

I see no good answer to that question. Here, the statutes' "purpos[es]," the "subject matter," the "context," the "legislative history," and the longstanding "executive interpretation," together with the way in which related patent provisions use the term "person," demonstrate that Congress meant for the word "person" to include Government agencies. *International Primate Protection League*, 500 U. S. at 83, 111 S.Ct. 1700 (quoting *Cooper*, 312 U. S. at 605, 61 S.Ct. 742). I would affirm the Federal Circuit's similar conclusion.

Consequently, with respect, I dissent.

All Citations

--- S.Ct. ----, 2019 WL 2412904

Footnotes

- * The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.
- ¹ The CBM review program will stop accepting new claims in 2020. See AIA § 18(a)(3)(A), 125 Stat. 330; 77 Fed. Reg. 48687 (2012).
- ² The Federal Circuit rejected Return Mail's argument that the Postal Service cannot petition for CBM review for the independent reason that a suit against the Government under 28 U.S.C. § 1498 is not a suit for infringement. 868 F. 3d 1350, 1366 (2017). We denied Return Mail's petition for certiorari on this question and therefore have no occasion to resolve it in this case. Accordingly, we assume that a § 1498 suit is one for infringement and refer to it as the same.
- ³ For example, the statute expressly includes the Government as a "person" in § 296(a), which, as enacted, provided that States "shall not be immune ... from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271." 35 U.S.C. § 296(a) (1988 ed., Supp. IV) (ruled unconstitutional by *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U. S. 627, 630, 119 S.Ct. 2199, 144 L.Ed.2d 575 (1999)).
- ⁴ For example, in § 6(a), the Patent Act provides that the administrative patent judges comprising the Board must be "persons of competent legal knowledge and scientific ability." Likewise, § 257(e) requires the Patent Office Director to treat as confidential any referral to the Attorney General of suspected fraud in the patent process unless the United States charges "a person" with a criminal offense in connection with the fraud. See also § 2(b)(11) (authorizing the Patent Office to cover the expenses of "persons" other than federal employees attending programs on intellectual-property protection); § 100(h) (defining a "joint research agreement" as a written agreement between "2 or more persons or entities"). Some of these provisions (§§ 2(b)(11), 6(a), and 100(h)) were enacted as part of the AIA, alongside the AIA review proceedings. See 125 Stat. 285, 313, 335.
- ⁵ Section 102(a) provides that "[a] person shall be entitled to a patent" as long as the patent is novel. Section 118 states that "[a] person to whom the inventor has assigned" an invention may file a patent application. Section 119 discusses the effect of a patent application filed in a foreign country "by any person" on the patent-application process in the United States.
- ⁶ Likewise, we are not persuaded by the dissent's suggestion that § 207(a)(3)—which authorizes federal agencies "to protect and administer rights" to federally owned inventions—provides a statutory basis for the Postal Service's initiation of AIA review proceedings. See *post*, at ---- - ----. The statute explains how a federal agency is to "protect" those rights: "either directly or through contract," such as by "acquiring rights for and administering royalties" or "licensing." § 207(a)(3). The AIA review proceedings, which a "person" may initiate regardless of ownership, do not fall clearly within the ambit of § 207(a)(3).
- ⁷ The dissent responds that we should set aside the statutory references to "person[s]" that naturally exclude the Government and instead count only those references that expressly or impliedly include the Government. See *post*, at ---- - ----. But the point of the canon the Postal Service invokes is to ascertain the meaning of a statutory term from its consistent usage in other parts of the statute, not to pick sides among differing uses.
- ⁸ Moreover, for those of us who consider legislative history, there is none that suggests Congress considered whether the Federal Government or its agencies would have access to the AIA review proceedings.

- ⁹ As discussed above, see *supra*, at ---- - ----, ex parte reexamination is not one of the three new proceedings added by the AIA, and therefore the question whether its reference to a “person” includes the Government is beyond the scope of the question presented. Moreover, neither party contests that a federal agency may cite prior art to the Patent Office and ask for ex parte reexamination.
- ¹⁰ If the Government were a “person” under the AIA, yet another anomaly might arise under the statute’s estoppel provisions. Those provisions generally preclude a party from relitigating issues in any subsequent proceedings in federal district court, before the International Trade Commission, and (for inter partes review and post-grant review) before the Patent Office. See 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D), 125 Stat. 330. Because infringement suits against the Government must be brought in the Court of Federal Claims—which is not named in the estoppel provisions—the Government might not be precluded by statute from relitigating claims raised before the Patent Office if it were able to institute post-issuance review under the AIA. See 28 U.S.C. § 1498(a). Although Return Mail cites this asymmetry in support of its interpretation, we need not rely on it, because Return Mail already prevails for the reasons given above. At any rate, the practical effect of the estoppel provisions’ potential inapplicability to the Government is uncertain given that this Court has not decided whether common-law estoppel applies in § 1498 suits.
- ¹¹ Nor do we find persuasive the dissent’s argument that the Postal Service should be allowed to petition for post-issuance review proceedings because its participation would further the purpose of the AIA: to provide a cost-effective and efficient alternative to litigation in the courts. See *post*, at ----; H. R. Rep. No. 112–98, pt. 1, pp. 47–48 (2001). Statutes rarely embrace every possible measure that would further their general aims, and, absent other contextual indicators of Congress’ intent to include the Government in a statutory provision referring to a “person,” the mere furtherance of the statute’s broad purpose does not overcome the presumption in this case. See *Cooper*, 312 U. S. at 605, 61 S.Ct. 742 (“[I]t is not our function to engraft on a statute additions which we think the legislature logically might or should have made”).

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GLASSWALL SOLUTIONS

2019 WL 2297699 (U.S.) (Appellate Petition, Motion and Filing)
Supreme Court of the United States.

GLASSWALL SOLUTIONS LIMITED, Glasswall (IP) Limited, Petitioners,
v.
CLEARSWIFT, LTD., Respondent.

No. 18-1448.
May 17, 2019.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

Petition For Writ Of Certiorari

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*i QUESTIONS PRESENTED FOR REVIEW

This Petition presents the following questions:

1. Where a threshold patent-eligibility determination under 35 U.S.C. § 101 is presented in a Rule 12(b)(6) motion to dismiss for failure to state a claim upon which relief may be granted, under what circumstances can assertions of fact pleaded by a patent owner, and statements of fact recited in a patent specification, be deemed “conclusory legal assertions” a court is “not bound to accept as true,” pursuant to *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007)?

2. Where a patent infringement complaint asserts as fact that the invention claimed improves computer function by eliminating a then-conventional method, does the Federal Circuit’s determination that the improvement is also conventional present a question of fact that underlies the legal question of patent-eligibility, pursuant to *Berkheimer v. H-P Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018), *petition for cert. filed* 2018 U.S. S. Ct. Briefs LEXIS 3613 (U.S. Sept. 28, 2018) (No. 18-415)?

*ii RULE 29.6 STATEMENT

Glasswall Solutions Limited has no parent corporation and no publicly held company owns 1.0 percent or more of its stock.

Glasswall (IP) Limited is a wholly-owned subsidiary of Glasswall Solutions Limited.

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***1 PETITION FOR A WRIT OF CERTIORARI**

Pursuant to Supreme Court Rules 13.5, 21, 22, and 30, Applicants Glasswall Solutions Limited and Glasswall (IP) Limited respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-5a) was issued as unpublished and does not appear in the Federal Reporter; it may be found at 2018 U.S. App. LEXIS 35818. The opinion of the district court (Pet. App. 6a-19a) is not published in the Federal Supplement but is available at 2017 U.S. Dist. LEXIS 196186.

JURISDICTION

The judgment of the court of appeals was entered on December 20, 2018. On March 7, 2019, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including May 19, 2019. No. 18A907. This Court has jurisdiction under 28 U.S.C. § 1.254(1).

STATUTORY PROVISION INVOLVED

Section 101 of Title 35 of the United States Code provides:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

*2 I. INTRODUCTION

The Nation's patent system is in a fundamental state of disorder as a result of inconsistent approaches taken by the Federal Circuit in its construction of Section 101 of the Patent Act, 35 U.S.C. § 101. In some matters, the eligibility of a patent's claims and thus the validity of a patent holder's valuable property right is determined on a motion to dismiss under Rule 12(b)(6), by comparison to prior Federal Circuit decisions on wholly unrelated patents, and without accepting as true allegations of fact pleaded in the patent owner's complaint. In other matters, the Federal Circuit acknowledges that the legal question of whether claims are directed to patent-eligible subject matter requires resolution of underlying fact issues, and these fact issues preclude resolution of patent eligibility by a motion to dismiss under Rule 12(b)(6).

In this case, the Federal Circuit invalidated, as ineligible under Section 101, patent claims alleged to improve computer function through methods that avoid disadvantages in the conventional approach to prevent the propagation of computer viruses and other malware. The Federal Circuit opinion upheld a district court order granting a motion to dismiss under Rule 12(b)(6); both the district court and the Federal Circuit reached their decision by analogizing the patent claims at issue to different claims determined as ineligible: claims in a different patent, owned by a different entity, directed to a different function.

The patent owner's amended complaint stated allegations of fact describing a specific improvement *3 in computer function implemented by the claimed inventions, but these allegations were deemed "conclusory legal assertions," both at the district court and the Federal Circuit, and disregarded. The district court, the Federal Circuit held, was not bound to accept pleaded facts as true in determining whether the complaint stated a claim upon which relief could be granted. The district court made no attempt to analyze the claims in light of the specification, according to the understanding of a person having ordinary skill in the art to which the invention pertains; the court undertook no analysis of what that skilled artisan's training or field would be. Instead, the district court substituted its own determination that the patent claims were directed to an abstraction, because the court believed they looked like claims in a different patent, already deemed patent-ineligible. The Federal Circuit took the same path.

There is widespread acknowledgment among current and former Federal Circuit Judges of the disarray in evaluating patent eligibility under Section 101. A telling example is Judge Plager's concurrence-in-part and dissent-in-part in *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1348 (Fed. Cir. 2018). Concurring in the majority's opinion, Judge Plager nevertheless opined "the state of the law is such as to give little confidence that the outcome is necessarily correct. The law ... renders it near impossible to know with any certainty whether [an] invention is or is not patent eligible. Accordingly, I also respectfully dissent from our court's continued application of this incoherent body of doctrine." *Id.* (Plager, J., concurring-in-part and dissenting-in-part). Judge Linn, author of the Federal Circuit opinion in this *4 case, has similarly described "the abstract idea exception" as "almost impossible to apply consistently and coherently." *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J., dissenting-in-part and concurring-in-part).

Judge Lourie, also on the panel delivering the Federal Circuit opinion in this case, joined Judge Newman in twice lamenting that the law governing Section 101 "needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are § 101 problems." *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 890 F.3d 1354, 1360 (Fed. Cir. 2018) ("*Aatrix II*") (Lourie, J., concurring in the denial of the petition for rehearing en banc); *Berkheimer v. HP Inc.*, 890 F.3d 1369, 1370 (Fed. Cir. 2018) ("*Berkheimer II*") (Lourie, J., concurring in the denial of the petition for rehearing en banc).

As these frank opinions acknowledge, the absence of consistent and coherent standards makes it impossible for patent owners in multiple industries to protect valuable innovations. This Court's intervention is needed, both to bring clarity to court application of Section 101 in the structure of the Patent Act, and to restore procedural application of Rule 12(b)(6) in patent matters to the standard used in other areas of civil litigation.

*5 II. STATEMENT OF THE CASE

This case involves two patents claiming improvements to electronic communication and data exchange via computer, eliminating the disadvantages in conventional means of preventing the spread of viruses and malware. The claimed methods develop a substitute electronic file using only conforming data, without performing a conventional scan for virus signatures. Both the district court and the Federal Circuit analogized the claims of the patents-in-suit to claims found patent-ineligible in *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed. Cir. 2016), and thus reasoned they were also ineligible.

Glasswall's Amended Complaint alleged the invention claimed in the infringed patents improved the functioning of computers used in electronic communications, by eliminating code that may perform unwanted operations without the need to consult or update virus definition files as used in the code-scanning process conventional at that time. The Federal Circuit concluded these allegations "are not factual in nature, but conclusory legal assertions which the district court was 'not bound to accept as true.'" See *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (quoting *Papasan v. Allain*, 478 U.S. 265, 286 (1986))."

A. This Court's opinion in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208 (2014) set forth a two-part test to determine patent eligibility. In the first step the court determines whether the claims (as a whole) "are directed to" a "patent-ineligible concept" such as an abstract idea. *Id.* at 217. If the answer is *6 yes, the court must then "consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.*

When assessing a patent in the sphere of computer art, the inquiry at step 2 requires a court to determine whether the patent includes an inventive concept, versus whether it "[s]tat[es] an abstract idea while adding the words 'apply it with a computer.'" *Id.* at 223. The Court's opinion suggests that patent claims that "improve the functioning of the computer itself" are eligible under § 101. *Id.* at 225.

B. The patents-in-suit¹ both stem from a 2006 application and have a common specification. The patents teach and claim a wholly different method of malware protection, a technical solution that avoids the disadvantages inherent in then-existing antivirus programs.

As the specification teaches, then-existing antivirus software programs would typically check for viruses at each time of access to the file. Sellers of then-conventional antivirus programs would monitor virus outbreaks and, when a new virus was spawned, analyze the virus to extract data needed to detect the virus. The sellers would then make these data available to their subscribers. But under the conventional approach, because computer viruses could easily be "mutated" by very minor changes in *7 code, virus definition files (the data needed at the receiving computer to detect viruses) became large and unwieldy. Bloated virus definition tiles wasted space on a user's computer. Performing a conventional virus scan by checking against it delayed user access to the incoming file. To obtain adequate protection, users needed to regularly update their virus definition file. And because new viruses had to come to the attention of the antivirus company before they could be identified and added to a virus detection update, the then-conventional virus scan always failed to protect some number of computer users. Pet. App. 29a-31a.

The patents-in-suit describe and claim an innovative solution to these technical problems, because they recognize that most data file formats conform to known, rigid standards: real world constraints that facilitate the detection of normal, acceptable, electronic files. By defining, then detecting, content that conforms with known file standards and typical user behavior, the claimed invention can detect content known to conform to these rigid standards, then regenerate and deliver to the user a substitute, safe electronic file that contains only conforming data. This improvement to a computer's function makes it unnecessary for a receiving computer to use virus definition files at all. The improvement thus avoids the need for frequent updates of such virus files, and the burden such files impose on the user's computer system. Importantly, the improvement claimed in the patents-in-suit provides "zero-day protection," meaning this improved approach provides immediate protection even against newly-introduced harmful code. This improvement is a remarkable contrast to the *8 conventional virus-scan approach, because in that prior art solution harmful code must be identified by the seller of the virus-scan software, then added to their virus definition update, then updated by the user before protection is in place, typically days after the virus outbreak. Pet. App. 31a-32a.

1. In November 2016, Glasswall filed suit against Respondent Clearswift, alleging infringement of the 283 patent. Pet. App. 34a. After the 045 patent issued in December 2016, Glasswall filed an Amended Complaint in January 2017 alleging infringement of the 045 patent as well. Pet. App. 34a.

Glasswall's Amended Complaint asserted, among other factual allegations, that the inventions claimed in the patents "improve the functioning of computers ... by ... eliminating code or data that may perform unwanted operations on the user's computer without the need to consult or update virus definition files." It alleged the invention applies "technical solutions unique to ... electronic data transfer to solve technical problems unique to such data transfer ... such as ... computer viruses or unauthorized scripting." Pet. App. 32a-33a.

In April 2017, Respondent filed a Motion to Dismiss the Amended Complaint under Fed. R. Civ. Proc. 12(b)(6). The district court entered an order in November 2017 granting Respondent's motion. The court noted the "rule requires the court to assume the truth of the complaint's factual allegations ...," but added that the "court 'need not accept as true conclusory allegations that are contradicted by documents referred to in the complaint.'" (quoting *9 *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008)).

The court concluded the claims were directed to a patent-ineligible concept, stating "[w]hile it would be mischaracterizing this claim to state that it is solely directed to e-mail filtering, the Court finds the reasoning in *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed. Cir. 2016), to be persuasive." After reciting the different claim at issue in the Intellectual Ventures patent, the court found the 283 patent claim "analogous to content censoring or the redaction of private information from public documents. Without the added references to the specific applications or the context contained in the patent's embodiments, the claim is directed to an abstract concept."

2. Glasswall appealed, and the Federal Circuit affirmed. Pet. App. 1a-5a. It held "the use of a conventional white-list of approved application-specific functions instead of a conventional black-list of virus definitions does not change the nature of the claims." Pet. App. 3a. The Federal Circuit turned to the *Intellectual Ventures I* case relied on by the district court, noted that claims in that patent were held to be abstract, then held "the claims here do no more." *Id.* The court dismissed consideration of the Glasswall's assertions of fact as "not factual in nature, but conclusory legal assertions which the district court was 'not bound to accept as true ...,'" citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (quoting *Papasan v. Allain*, 478 U.S. 265, 286 (1986)). Pet. App. 5a.

*10 III. REASONS FOR GRANTING THE WRIT

A. The Standard for Determination of "Conclusory Legal Assertions" in the Context of Patent-Eligibility Warrants Review.

1. Pleading Standard.

A pleading must contain a "short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. Proc. 8(a)(2). "To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). In assessing the sufficiency of a pleading, a court will disregard legal conclusions, which are not entitled to the presumption of truth. *Id.* Instead, the Court must examine the well-pleaded factual allegations and "determine whether they plausibly give rise to an entitlement to relief." *Id.* at 679.

Ninth Circuit precedent (applied by the Federal Circuit in this matter) provides that when ruling on a motion to dismiss under Rule 12(b)(6), the court must assume the truth of the complaint's factual allegations and credit all reasonable inferences arising from those allegations. *Sanders v. Brown*, 504 F.3d 903, 910 (9th Cir. 2007).

Importantly, "Rule 12(b)(6) does not countenance ... dismissals based on a judge's disbelief of a complaint's factual allegations." *Iqbal*, 556 U.S. at 696 (Souter, J., dissenting), citing *11 *Neitzke v. Williams*, 490 U.S. 319, 327 (1989). In the context of facts pleaded in a complaint for patent infringement, the Federal Circuit's *Berkheimer* opinion holds "[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact." *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018), *petition for cert. filed* 2018 U.S. S. Ct. Briefs LEXIS 3613 (U.S. Sept. 28, 2018) (No. 18-415). On a motion to dismiss, this question of whether an operation is conventional must, like every question of fact, be resolved in the plaintiffs favor. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1128 (Fed. Cir. 2018).

"*Berkheimer* and *Aatrix* stand for the unremarkable proposition that whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time is a question of fact." *Berkheimer II*, 890 F.3d at 1370 (concurring in denial of rehearing en banc). For this reason, if patent eligibility is challenged in a motion to dismiss for failure to state a claim pursuant to Rule 12(b)(6), the court must apply "the well-settled Rule 12(b)(6) standard which is consistently applied in every area of law. A motion to dismiss for failure to state a claim must be denied if 'in the light most favorable to the plaintiff and with every doubt resolved in the pleader's favor - but disregarding mere conclusory statements - the complaint states any legally cognizable claim for relief.'" *Id.*

***12** But what constitutes “mere conclusory statements” a court may disregard? How can a court accept all pleaded facts as true and resolve every doubt in the pleader’s favor, while simultaneously determining that some statements the pleader makes are of no moment and need not be considered?

Iqbal reaffirmed that a “pleading that offers labels and conclusions’ or ‘a formulaic recitation of the elements of a cause of action will not do ...’ ” *Iqbal*, 556 U.S. at 678, citing *Twombly*, 550 U.S. at 555. But neither *Twombly* nor *Iqbal* offer an analytic means to distinguish between “fact” and “conclusion.” In practice, it is nearly impossible to objectively divine the difference between a pleaded allegation of fact and a conclusory legal assertion. See Donald J. Kochan, *While Effusive, “Conclusory” Is Still Quite Elusive: The Story of a Word, Iqbal, and a Perplexing Lexical Inquiry of Supreme Importance*, 73 U. Pitt. L. Rev. 215; Scott Dodson, *New Pleading, New Discovery*, 109 Mich. L. Rev. 53, 57 (2010); see generally *Twombly*, 550 U.S. at 589-90 (Stevens, J., dissenting) (“The Court’s dichotomy between factual allegations and ‘legal conclusions’ is the stuff of a bygone era. That distinction was a defining feature of code pleading, but was conspicuously abolished when the Federal Rules were enacted in 1938.”).

Must a complaint drafter explain *why* a statement is true? Does that explanation convert a statement from a conclusory legal assertion to an allegation of fact? In *Papasan* (quoted in both *Twombly* and *Iqbal*), this Court took issue with the plaintiffs’ assertion that they “had been denied their right to a minimally adequate education.” The petitioners did not allege that schoolchildren are not ***13** taught to read and write, or that they did not receive instruction on educational basics. This absence of explanation *why* the plaintiffs had been denied a minimally adequate education doomed the cause of action. “As we see it, we are not bound to credit and may disregard the allegation that the petitioners have been denied a minimally adequate education.” *Papasan*, 478 U.S. at 286.

2. The Court’s Intervention is Necessary to Restore Proper Analysis Under Rule 12(b)(6) to Patent Eligibility Determinations.

Unless corrected, inconsistencies and confusion will undermine any certainty, uniformity, or accuracy intended by the standards for sufficiency of pleading this Court articulated in *Iqbal* and *Twombly*.

And this inconsistency contributes mightily to the disarray in the law regarding patent-eligibility under 35 U.S.C. § 101. In considering whether patent claims meet the requirements of Section 101, a court’s ability to deem certain pleaded facts “conclusory legal assertions” (and thereby disregard them) introduces a wholly subjective standard that bypasses the *Twombly* and *Iqbal* requirement to evaluate the plausibility of relief sought in an infringement complaint by taking all pleaded fact allegations as true. Without an objective means of separating fact from conclusion there is no workable standard for courts to assess the viability of pleadings on a motion to dismiss. See Kochan, *supra* at 237-38 (pointing out the possible arbitrary implementation of the standard and noting that in *Iqbal*, the issue of whether certain ***14** allegations were conclusory was the main point of contention between the majority and dissent).

Before the Federal Circuit decisions in *Berkheimer* and *Aatrix Software, Inc.*, some of its dispositions treated questions of patent eligibility raised by a Rule 12(b)(6) motion as purely legal issues that did not implicate at all the requirements of *Iqbal* and *Twombly*. See e.g., *Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1325 (Fed. Cir. 2017) (no reference to pleaded facts in evaluating two-step *Alice* inquiry).

The *Berkheimer* and *Aatrix* decisions signal a course correction by the Federal Circuit, recognizing that patent-eligibility requires evaluation of “whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field;” and that this evaluation is a “question of fact.” *Berkheimer*, 881 F.3d at 1368.

Nevertheless, some Federal Circuit opinions after the *Berkheimer* and *Aatrix* decisions, including this case, continue to bypass proper analysis of fact questions under the Rule 12(b)(6) standard. Multiple cases decided by the Federal Circuit, after *Berkheimer*, involve determinations of patent ineligibility at the motion to dismiss stage. Various Federal Circuit panels continue to affirm a district court finding of patent ineligibility with little or no evaluation of, much less deferral to, a complaint’s pleaded facts. Instead, the court will launch into analysis of claim language and comparisons to claims (in different patents) that were determined (in different cases) to be eligible or ineligible.

***15** Most recently, in *Cleveland Clinic Foundation v. True Health Diagnostics LLC*, No. 2018-1218, 2019 U.S. App. LEXIS 9451 (Fed. Cir. Apr. 1, 2019, unpublished), the court acknowledged the patent holder’s argument that, because the district court improperly resolved factual disputes against it at the pleadings stage, the case required remand. But the court held “[i]n view of our conclusion that the specification and prosecution history are clear that the claimed method uses a known technique in a standard way to observe a

natural law, we decline to do so ...” relying on *Secured Mail Solutions LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 913 (Fed. Cir. 2017) (court “need not ‘accept as true allegations that contradict matters properly subject to judicial notice’”).

The patent holder in *Athena Diagnostics, Inc. v. Mayo Collaborative Services, LLC*, 915 F.3d 743 (Fed. Cir. 2019) argued that its expert’s declaration presented factual disputes precluding dismissal under Rule 12(b)(6). However, the Federal Circuit determined the expert declaration made these fact allegations inconsistent with the 820 patent and, concluding “the district court was not obliged to accept them as true,” held the patent ineligible, dismissing the complaint. *Id.* at 756.

The Federal Circuit failed to accept well pleaded facts as true and draw all inferences in favor of the non-moving party in *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335 (Fed. Cir. 2018). Instead, the court again turned to a comparison with patent claims already held ineligible in *Intellectual Ventures I LLC* and *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2013).

***16** But in other cases, the Federal Circuit has come down on the opposite side of the divide, finding, for example, that the saving-grace of other patent claims was a focus “on an improvement to computer functionality.” See *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016); *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1305 (Fed. Cir. 2018) (“a new kind of file that enables a computer security system to do things it could not do before’ ”); cf. *Alice*, 573 U.S. at 210 (patent claims held abstract “[did] not, for example, purport to improve the functioning of the computer itself”)

Nowhere is failure to adhere to the Rule 12(b)(6) standard more apparent than in the case at hand. Rather than examine the pleaded facts in the light most favorable to the Plaintiffs, the Federal Circuit labeled factual allegations as “conclusory legal assertions” that the district court properly disregarded. Pet. App. 5a. Indeed, rather than begin its analysis with *de novo* review of factual assertions and application of the Rule 12(b)(6) standard, the court started by agreeing with the district court’s characterization that all the claims were “directed to ‘the filtering of electronic files and data,’ ” before turning to claims held ineligible in *Intellectual Ventures I LLC*, 838 F.3d at 1311. “Like in *Intellectual Ventures I*, the claims here deliver the allowable content and inhibit the communication of other content. The claims merely require the conventional manipulation of information by a computer.” Pet. App. 4a. Despite pleaded fact allegations of improved computer function by eliminating the need to perform code-matching virus scan, the court invalidated the claims, with no analysis of whether the claims would be understood ***17** by a skilled artisan at the time of the invention to improve a computer’s function by avoiding the disadvantages of then-conventional code-matching scans described in the specification Pet. App. 31a-33a.

As discussed in section 1 above, this Court’s *Papasan* decision suggests a complaint does not incorporate a “mere conclusory allegation” if it explains *why* a pleaded fact is so, and in this case, Glasswall did explain the “why.” The Amended Complaint alleged improvement in computer function: an invention eligible for patent protection because it eliminated unwanted code without the need to consult or update virus definition files, a disadvantage in the prior art. Pet. App. 32a-33a. And the complaint attached and referred to the patents themselves. The patent specification emphasized the value of this new approach in contrast to the then-conventional virus scan technique. Pet. App. 31a-33a.

Because of the inconsistency in Federal Circuit determinations, and the confusion between factual assertions and conclusory allegations under the *Iqbal* and *Twombly* standard, it is now impossible to determine whether and under what circumstances a court will consider pleaded facts, or summarily disregard them as conclusory. The Federal Circuit’s Section 101 jurisprudence has departed from the well-established principle that the standards for review of a motion under Rule 12(b)(6) apply to all such motions, in every aspect of civil litigation, including patent infringement litigation. This case illustrates the need for clarity in the fact-versus-conclusion dichotomy, to end its arbitrary application. Certiorari is warranted on Petitioner’s first question.

***18 B. Whether Disputed Fact Issues Underlying Patent-Eligibility Determinations Can Be Resolved by Motion to Dismiss Warrants Review.**

As discussed in the foregoing part A, Section 101 jurisprudence developed by the Federal Circuit in the wake of *Alice* recognizes that “whether a claim recites patent-eligible subject matter is a question of law which may contain underlying facts” *Berkheimer*, 881 F.3d at 1368. Because a finding that patent claims are directed to ineligible subject matter invalidates the claims, the *Berkheimer* decision emphasizes that questions of fact pertinent to patent invalidity “must be proven by clear and convincing evidence” *Id.* at 1358; see also *Aatrix*, 882 F.3d at 1128.

1. Invalidating Patent Claims by Rule 12(b)(6) Motion Creates Significant Tension with the Statutory Presumption of Validity

The Patent Act, recognizing that technical experts at the U.S. Patent and Trademark Office (“PTO”) are tasked with thorough examination of patent claims prior to their issuance, includes a presumption that issued claims are valid. 35 U.S.C. § 282 provides:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple *19 dependent claims shall be presumed valid even though dependent, upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

This Court’s decision in *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91, 95 (2011), confirmed this statutory presumption requires a patent challenger to prove invalidity by clear and convincing evidence. This Court recognized that the standard of proof does not vary when the evidence presented to the fact-finder is different from that presented to the PTO: “this Court often applied the heightened standard of proof without any mention of whether the relevant prior-art evidence had been before the PTO examiner.... Nothing in § 282’s text suggests that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case.” *Id.* at 109.

This Court’s *Alice*, opinion, however, did not address the standard of proof applicable to analysis of patent eligibility. The Federal Circuit’s *en banc* analysis in *CLS Bank Int’l. v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013) endorsed, in the majority opinion, the view that the presumption of validity applies to a patent-eligibility inquiry, *id.* at 1284, “it bears remembering that all issued patent claims receive a statutory presumption of validity, 35 U.S.C. § 282.” *See also id.* at 1304-05: “any attack on an issued patent based on a challenge to the eligibility of the subject matter must be proven by clear and convincing evidence” (concurrence by Judges Lourie, Dyk, Prost, Reyna, and Wallach.)

*20 Shortly after that *en banc* decision, the Federal Circuit observed that it was “rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter ... because every issued patent is presumed to have been issued properly, absent clear and convincing evidence to the contrary.” *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1338 (Fed. Cir. 2013), cert. granted, judgment vacated and case remanded sub nom. *WildTangent, Inc. v. Ultramercial, LLC*, 573 U.S. 942 (2014), for further consideration in light of this Court’s decision in *Alice*.

But as shown in the following subsections, the Federal Circuit’s approach in this case ignored the presumption of validity afforded to Petitioner’s patents by statute.

2. The Federal Circuit in This Case Concluded the Claimed Methods Were Conventional Without Reference to Any Evidence

In this case, the Federal Circuit mischaracterized the claims at issue, holding “the use of a conventional white-list of approved application-specific functions instead of a conventional black-list of virus definitions does not change the nature of the claims.” Pet App. 3a. But nowhere in the pleadings or the patent specification did Glasswall acknowledge that its claimed solution to the disadvantages inherent in a conventional virus-scan employ a “conventional white-list.” On the contrary, the patent specification asserted the invention operated in a fundamentally different manner to known anti-virus programs, eliminating the need to store virus *21 definition files and scan incoming documents to look for viruses defined in them. Pet. App. 51a. And the Amended Complaint alleged the claimed invention improved the functioning of computers by eliminating unwanted code “without the need to consult or update virus definition files.” Pet. App. 32a-83a.

Accordingly, this Court’s review is also warranted as to the second question presented in this Petition, which asks whether a District Court’s determination that a patent claim is directed to an abstract concept, or does not contain an innovative concept previously unknown in the art, requires resolution of underlying fact questions that cannot be resolved by a motion under Rule 12(b)(6). Patent eligibility issues are more and more frequently disposed of on a motion to dismiss an infringement claim, but this all too often puts the fate of a patent owner’s valuable property rights at risk of determination by comparison to other claims in different patents, rather than by the claims’ “ordinary and customary meaning” to a person of ordinary skill in the art in question at the time of the invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005).

3. There is a Division Among Federal Circuit Panels As to Whether Patent-Eligibility Determinations with Underlying Disputed Fact Questions Can Be Resolved On a Motion to Dismiss

It is abundantly clear, from review of the recent Federal Circuit opinions denying rehearing en banc in *Aatrix II* and *Berkheimer II* that the members of the *22 Federal Circuit are widely divided on the fundamental question of whether patent eligibility under Section 101 is purely a question of law that should be decided on a motion to dismiss, even where there is a disputed underlying fact question.

This Court's *Alice* opinion provides, at step two of the analysis, if a patent claim is directed to an abstract idea, the court must inquire whether the patent involves something more than "well-understood, routine, conventional activit[ies] previously known to the industry." *Alice*, 573 U.S. at 225 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 79 (2012)).

Questions of this kind necessarily require an understanding of the state-of-the-art in a particular industry at a particular point in time. They are clearly questions of fact. As discussed in the foregoing subsection 1, an issued patent is, by statute, clothed with the presumption of validity pursuant to 35 U.S.C. § 282. An accused infringer challenging validity must overcome that presumption by clear and convincing evidence, and this evidence necessarily involves questions of fact. *Berkheimer*, 881 F.3d at 1358. This should be an "unremarkable proposition," *Berkheimer II*, 890 F.3d at 1369, but instead Federal Circuit panels continue to make determinations of conventionality without citing any supporting evidence, as was done in this case.

But although Section 101 issues often present factual questions of this kind, many prior Federal Circuit decisions have held that patent eligibility is purely a question of law. *E.g.* *23 *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1338 (Fed. Cir. 2017); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015).

These decisions and others like them conflict with *Berkheimer*: "what is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination," 881 F.3d at 1365; *see also Exergen Corp. v. Kaz USA, Inc.*, 725 Fed. App'x. 959, 967 (Fed. Cir. 2018).

But again, the decisions denying rehearing en banc in *Aatrix II* and *Berkheimer II* show the Federal Circuit to be a deeply divided court unlikely to be able to resolve disagreements among its members. *See, e.g.* Judge Reyna's opinion dissenting from denial in *Berkheimer II*, insisting that the single most consistent factor in the Federal Circuit's approach to Section 101 has been its "precedent that the § 101 inquiry is a question of law," 890 F.3d at 1380, such that "[t]he consequences of this decision are staggering and wholly unmoored from our precedent." At the same time five of his colleagues disagreed with him, explaining that the court "cannot adopt a result-oriented approach to end patent litigation at the Rule 12(b)(6) stage that would fail to accept as true the complaint's factual allegations and construe them in the light most favorable to the plaintiff, as settled law requires." *Id.* at 1373 (Moore, J., concurring in the denial of the petition for rehearing en banc).

The Federal Circuit is not "free to create specialized rules for patent law that contradict well-established, general legal principles" *Id.* at 1371 (Moore, J., concurring in the denial of the petition for rehearing en banc). The divide among members of the Federal Circuit underscores another element of the *24 current disarray in the state of Section 101 jurisprudence. All too often, the fate of a patent owner's valuable property right is left to the chance determination of which panel of judges hears the decision.

This Court's intervention is needed to restore predictability and consistency to this fundamental application of the law. Petitioner respectfully urges the Court to grant certiorari.

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Respectfully submitted,

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Footnotes

- ¹ The patents-in-suit are U.S. Patent 8,869,283 and 9,516,045, which are both continuations of a common application filed in 2006. Pet. App. 28a.

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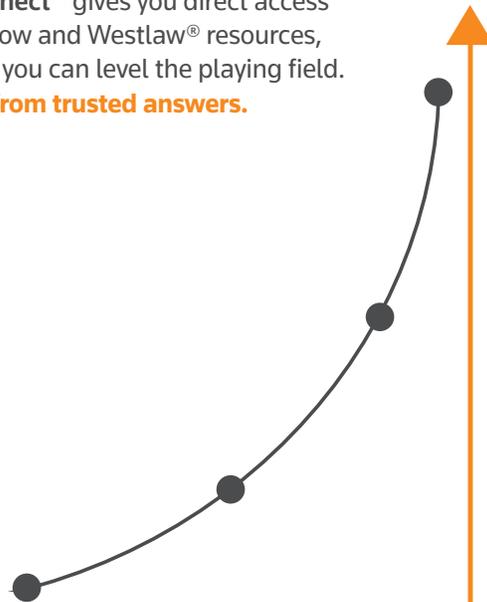
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