

15-1502
No.

Supreme Court, U.S.
FILED

JUN 10 2016

OFFICE OF THE CLERK

In The
Supreme Court of the United States

JERICHO SYSTEMS CORPORATION,

Petitioner,

v.

AXIOMATICS, INC. and AXIOMATICS AB,

Respondents.

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

PETITION FOR A WRIT OF CERTIORARI

J. KEVIN FEE
ALEX HANNA
MORGAN, LEWIS & BOCKIUS LLP
1111 Pennsylvania
Avenue, N.W.
Washington, D.C. 20004
T. 202.739.3000

WILLIAM R. PETERSON
MORGAN, LEWIS & BOCKIUS LLP
1000 Louisiana Street,
Suite 4000
Houston, Texas 77002
T. 713.890.5000

ALLYSON N. HO
Counsel of Record
JOHN C. SULLIVAN
MORGAN, LEWIS & BOCKIUS LLP
1717 Main Street, Suite 3200
Dallas, Texas 75201
T. 214.466.4000
allyson.ho@morganlewis.com

Counsel for Petitioner

BLANK PAGE

QUESTION PRESENTED

Whether, under this Court's precedent in *Alice Corp. Party Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), a patent may be invalidated as an "abstract idea" under 35 U.S.C. § 101 when it claims a specific implementation and does not preempt other uses of the abstract idea.

**PARTIES TO THE PROCEEDINGS
AND RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover. Jericho Systems Corporation does not have any stock-owning parent corporations. No publicly held company owns 10 percent or more of Jericho Systems Corporation's stock.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED.....	i
PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT.....	ii
PETITION FOR A WRIT OF CERTIORARI	1
OPINIONS AND ORDERS BELOW.....	1
STATEMENT OF JURISDICTION	1
STATUTORY PROVISIONS INVOLVED	1
STATEMENT.....	2
REASONS FOR GRANTING THE PETITION ...	10
I. This Court’s Review Is Needed To Resolve The Conflict Created By The Federal Cir- cuit’s Misapplication Of <i>Alice</i>	11
II. The Proper Application Of <i>Alice</i> Is A Fre- quently Recurring And Substantially Im- portant Issue Of Federal Patent Law.....	17
III. Despite The Federal Circuit’s Cursory Treatment, This Case Is An Appropriate Vehicle To Resolve The Important Ques- tions Presented.....	19
IV. On The Merits, A Patent That Does Not Preempt Other Uses Of An Abstract Idea Cannot Fail <i>Alice</i> As A Matter Of Law.....	21
V. Alternatively, The Petition Should Be Held Pending The Disposition Of <i>Se- quenom</i>	25
CONCLUSION.....	26

TABLE OF CONTENTS—Continued

	Page
APPENDIX	
Judgment, United States Court of Appeals, Federal Circuit, dated March 14, 2016.....	App. 1
Memorandum Opinion and Order, United States District Court, Northern District of Texas, Dallas Division, dated May 7, 2015	App. 3
Judgment, United States District Court, Northern District of Texas, Dallas Division, dated May 7, 2015	App. 20
35 U.S.C. § 101	App. 22

TABLE OF AUTHORITIES

	Page
CASES	
<i>Alice Corp. Party Ltd. v. CLS Bank Int’l</i> , 134 S. Ct. 2347 (2014)	<i>passim</i>
<i>Ass’n for Molecular Pathology v. Myriad Genetics, Inc.</i> , 133 S. Ct. 2107 (2013)	12
<i>Bilski v. Kappos</i> , 561 U.S. 593 (2010).....	10, 18, 21, 24
<i>Cloud Satchel, LLC v. Barnes & Noble, Inc.</i> , 136 S. Ct. 1723 (2016)	20
<i>CLS Bank Int’l v. Alice Corp. Pty. Ltd.</i> , 717 F.3d 1269 (Fed. Cir. 2013) (en banc)	17, 18
<i>DDR Holdings, LLC v. Hotels.com, L.P.</i> , 773 F.3d 1245 (Fed. Cir. 2014)	14, 19
<i>Enfish, LLC v. Microsoft Corp.</i> , No. 2015-1244, 2016 WL 2756255 (Fed. Cir. May 12, 2016).....	16
<i>Genetic Techs. Ltd. v. Merial L.L.C.</i> , No. 2015-1202, 2016 WL 1393573 (Fed. Cir. Apr. 8, 2016)	14
<i>Gottschalk v. Benson</i> , 409 U.S. 63 (1972)	13
<i>In re Lee</i> , 277 F.3d 1338 (Fed. Cir. 2002).....	15
<i>In re Smith</i> , 815 F.3d 816 (Fed. Cir. 2016)	14
<i>Internet Patents Corp. v. Active Network, Inc.</i> , 790 F.3d 1343 (Fed. Cir. 2015)	19
<i>Joao Bock Transaction Sys., LLC v. Jack Henry & Assocs., Inc.</i> , 136 S. Ct. 1468 (2016)	20
<i>Mackay Radio & Tel. Co. v. Radio Corp. of Am.</i> , 59 S. Ct. 427 (1939)	13

TABLE OF AUTHORITIES—Continued

	Page
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012)	<i>passim</i>
<i>McRO Inc. v. Activision Publ'g Inc.</i> , No. CV 14-336-GW(FFMx), 2014 U.S. Dist. LEXIS 135152 (C.D. Cal. Sept. 22, 2014)	22
<i>Mort. Grader, Inc. v. First Choice Loan Servs. Inc.</i> , 811 F.3d 1314 (Fed. Cir. 2016).....	16
<i>OIP Techs., Inc. v. Amazon.com, Inc.</i> , 788 F.3d 1359 (Fed. Cir. 2015)	15
<i>Research Corp. Techs. v. Microsoft Corp.</i> , 627 F.3d 859 (Fed. Cir. 2010)	8
<i>Retirement Capital Access Mgmt. Co. v. U.S. Bancorp</i> , 136 S. Ct. 1513 (2015)	20
<i>Rubber Tip Pencil Co. v. Howard</i> , 87 U.S. (20 Wall.) 498 (1874)	13
<i>Sequenom, Inc. v. Ariosa Diagnostics, Inc.</i> , 788 F.3d 1371 (Fed. Cir. 2015)	4, 25
<i>Ultramercial, Inc. v. Hulu, LLC</i> , 772 F.3d 709 (Fed. Cir. 2014)	15, 22
<i>Vehicle Intelligence & Safety LLC v. Mercedes-Benz USA, LLC</i> , No. 2015-1411, 2015 WL 9461707 (Fed. Cir. Dec. 28, 2015).....	22
<i>Versata Dev. Grp., Inc. v. SAP Am., Inc.</i> , 793 F.3d 1306 (Fed. Cir. 2015)	15

TABLE OF AUTHORITIES—Continued

	Page
STATUTES	
28 U.S.C. § 1254	1
35 U.S.C. § 101 (Patent Act)	<i>passim</i>
OTHER AUTHORITIES	
Homeland Security Presidential Directive (HSPD) 12	5
Philip P. Mann, <i>When the going gets tough . . . Rule 36!</i> , IP Litigation Blog (Jan. 14, 2016), http://www.iplitigationblog.com/2016/01/articles/ uncategorized/when-the-going-gets-tough-rule- 36/	20
Ronald J. Mann, <i>Do Patents Facilitate Financing in the Software Industry?</i> , 83 TEX. L. REV. 961 (2005)	17
Lidiya Mishchenko, <i>Alice: Through the Formal- ist Looking-Glass</i> , 97 J. PAT. & TRADEMARK OFF. SOC'Y 214 (2015)	17, 18
Jason Rantanen, <i>Data on Federal Circuit Appeals and Decisions</i> , PATENTLYO (June 2, 2016), http://patentlyo.com/patent/2016/06/ circuit-appeals-decisions.html	10, 20
Robert R. Sachs, <i>Update on Patent Eligibility Decisions for First Quarter, 2016</i> , BILSKI BLOG (Apr. 2, 2016), http://www.bilskiblog.com/blog/ 2016/04/update-on-patent-eligibility-decisions- for-first-quarter-2016.html	11

TABLE OF AUTHORITIES—Continued

	Page
Daniel Taylor, Comment, <i>Down the Rabbit Hole: Who Will Stand Up for Software Patents After Alice?</i> , 68 ME. L. REV. 217 (2016)	17

PETITION FOR A WRIT OF CERTIORARI

Petitioner Jericho Systems Corporation respectfully submits this petition for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

**OPINIONS AND ORDERS BELOW**

The panel order disposing of the case without opinion (App., *infra* 1-2) is unreported and available at 2016 WL 945275 (Fed. Cir. Mar. 13, 2016). The opinion and order of the district court (App., *infra* 3-19) is unreported and available at 2015 WL 2165931 (N.D. Tex. May 7, 2015).

**STATEMENT OF JURISDICTION**

The court of appeals filed its opinion on March 14, 2016. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

**STATUTORY PROVISIONS INVOLVED**

The relevant provisions of the Patent Act, 35 U.S.C. § 101, are set forth at App. 22.



STATEMENT

The Federal Circuit has struggled to apply this Court’s precedent concerning the “abstract idea” exception to patentability inherent in § 101 of the Patent Act. In *Mayo* and *Alice*, this Court established a two-step test for patentability designed to filter out patents claiming merely an “abstract idea” and preempting any other uses of that abstract idea. *Alice Corp. Party Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296-97 (2012)). The first step asks whether the patent is drawn to an abstract idea, while the second step asks whether the patent involves an “inventive concept” beyond the abstract idea. *Ibid.*

As the Court recognized in *Mayo*, however, “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” 132 S. Ct. at 1293. Thus for the most part, the lower courts treat every software patent as based on an abstract idea in step one of the analysis. This means that the real work in applying the *Alice* test occurs in step two, which asks whether the patent includes an “inventive concept” beyond the abstract idea. That is, does the patent do more than “simply appen[d] conventional steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas”? *Mayo*, 132 S. Ct. at 1300. For software, the question is whether the patent “merely require[s] generic computer implementation” of the abstract idea. *Alice*, 134 S. Ct. at 2357; see also *id.* at

2358 (noting that “the computer implementation was purely conventional”).

But in the wake of *Alice*, courts have struggled with the test for “generic computer implementation.” Federal Circuit precedent suggests that the entire § 101 analysis is a question of law. Lower courts thus routinely decide whether a computer implementation is “conventional” or “unconventional” without receiving evidence or expert testimony. That approach, however, cannot be reconciled with this Court’s requirement of a detailed analysis of the improvements made to existing art at step two of the *Mayo* test. See *Alice*, 134 S. Ct. at 2358 (instructing courts to evaluate whether a patent’s claims are an improvement on an existing technological process in order to gauge the inventive component).

Here, for example, after identifying the “gist” of the claims as “people who meet certain requirements are allowed to do certain things,” App. 12, the district court failed entirely to consider either the inventive concept seen in the multiple improvements made on the existing technological process, or the increased security measures achieved by the patent. Likewise, there was no mention in the opinion of the fact that the patent alters the traditional format for storage and retrieval of security access information, or of the cost-saving measures directly achieved by implementing the invention.

The district court’s approach highlights that, in their struggle to apply the *Mayo* two-step test, the

lower courts have lost sight of the underlying issue: whether the patent preempts other parties from using the same alleged “abstract idea.” When a patent owner can show that other parties may use the same abstract idea—as was admitted here by the defendants in this case—there is no preemption. The Court should resolve the confusion and clarify that the ultimate inquiry—preemption—must control any application of the *Mayo* test.

The preemption issue is already pending before this Court in the petition in *Sequenom, Inc. v. Ariosa Diagnostics, Inc.*, which should be granted. 788 F.3d 1371 (Fed. Cir. 2015), petition for cert. filed, 84 U.S.L.W. 3548 (U.S. Mar. 21, 2016) (No. 15-1182). At a minimum, the instant petition should be held for *Sequenom*. Alternatively, because *Sequenom* presents the preemption issue in the context of the “natural phenomenon” exception to § 101 patentability, while this case presents the issue in the context of the “abstract idea” exception, the Court may wish to grant both petitions and consider preemption in the § 101 analysis for both natural phenomena and abstract ideas.

1. Founded in the wake of the 9/11 attacks to address the critical need to securely share information in increasingly complex, global environments, petitioner Jericho Systems Corporation is a pioneer in the privacy and security industry. Jericho provides security solutions for companies in many sectors—including healthcare, defense, and national intelligence. The Deputy Director of the Office of the Secretary of Defense first selected Jericho’s access control model as

the blueprint for the Department of Defense Global Information grid in 2007.

Later, Jericho's software embodying the patent at issue was deployed across two Department of Defense secure network enterprises, providing access control to over six million persons and entities. Within five years, President Obama mandated the use of this model in every U.S. Government enterprise. See Homeland Security Presidential Directive (HSPD) 12. The same patent has also been used in the U.S. Army's Tactical and Intelligence Network since 2010, and is currently deployed in the Department of Homeland Security Office of Intelligence and Analysis. The software derived from the patent continues to serve as the benchmark for DHS enterprise security.

2. Traditionally, computer systems relied on user lists to control access to specific information. Patent 1:27-28, 1:38-40, 3:23-25. In these systems, when a user tries to access information, the computer checks the list for access. *Ibid.* If the user's name is on the list, access is granted. *Ibid.* If the name is not on the list, access is denied. *Ibid.*

This approach worked well enough for early computer systems, but there were obvious problems. First, when something about a particular user changed (for example, if an employee joined or left a company), every list would have to be modified to add or remove the user. *Ibid.* Second, changing a security policy (for example, making information more confidential or less

confidential) required creating a new list of users who would be given access. *Ibid.*

3. As the Internet expanded with more people accessing systems in real time, these difficulties became increasingly problematic. Because “modern Internet-based applications frequently have user populations numbering in the tens of millions,” computer systems based on user lists were not “capable of performing efficiently.” *Id.* at 3:36-40. To address these problems, Jericho developed an attribute-based access control system. In such systems, rather than maintaining user lists, computers control access to information using rules that determine which users should receive access. *Id.* at 1:27-28, 1:38-40, 3:23-25.

4. Attribute-based systems took a significant step forward when a software engineer at Jericho made the invention claimed by U.S. Patent No. 8,560,836 (the '836 patent). Briefly (and simply), the claims of the '836 patent detail a specific system and method in which a user's request to access information or perform an action is routed to a server—called the “enterprise security server”—which in turn calls up the rule associated with the request in real time rather than from a static database of rules. *Id.* at 7:13-19. The server determines what information—i.e., the “attributes”—is needed to apply the rule. *Ibid.* Each “attribute” is associated with a particular source for the information about the user (a “connector” that can retrieve the information from a “remote data source”); the attribute values are requested using the “connector” only when retrieving those attribute values is

necessary to apply the rule, and only when the attribute values are not already known. *Id.* at 7:20-38. The server then “dynamically” evaluates whether the user is authorized to perform the action and returns the decision to the user. This means that the server makes a calculation—rather than a comparison with a static list—based on rules and real-time information available about the relevant attributes. *Id.* at 7:39-44.

These specific steps in the claims of the '836 patent provide numerous advantages that do not inhere to the general idea of “using rules to determine access.” For example, by funneling all requests for access through the “enterprise security server,” the system provides an additional layer of security between the user and the information, making data breaches less likely. *Id.* at 3:8-12. And because the rules are stored on a central server (rather than on users' computers), the rules can be modified at will, and any changes take effect immediately. See *id.* at 3:33-36.

The '836 patent does not purport to cover every computer implementation of the idea of using rules to control information access. Rather, the invention is limited to the particular system that solved problems in prior art computer-based access control systems related to processing power, network bandwidth, and security through using the dynamic enrichment process (i.e., the real-time evaluation of rules) and specific algorithm described in detail in the claims.

5. When Jericho learned that respondents—Swedish companies Axiomatics Incorporated and Axiomatics AB (Axiomatics)—were using its patented technology to compete with Jericho for business with the U.S. Department of Veterans Benefits and elsewhere, it brought an infringement suit in the Northern District of Texas, where Jericho is headquartered. Axiomatics moved for judgment on the pleadings, which Jericho opposed. Without a hearing, the district court granted Axiomatics’ motion, invalidated all claims of the ’836 patent, and entered a take-nothing judgment. App. 19-20.

Applying the *Mayo* two-step analysis, the district court first held that the patent fails at step one because it “recites an abstract idea.” *Id.* at 12. The court acknowledged that “the claim appears to present a complex method that uses attributes, rules, connectors, classifications, and remote data sources” but concluded that “the gist of the claim involves a user entering a request for access, looking up the rule for access, determining what information is needed to apply the rule, obtaining that information, and then applying the information to the rule to make a decision.” *Ibid.*

The district court next held that the patent fails at step two of the *Mayo* test. *Id.* at 16. The district court’s brief analysis focused primarily on a Federal Circuit case upon which Jericho relied—*Research Corp. Technologies v. Microsoft Corp.*, 627 F.3d 859, 868 (Fed. Cir. 2010)—and which held that the invention would have passed the equivalent of step two. App. 16. The district court examined the invention in *Research Corp.* and

distinguished it because it “modified the way and manner in which a computer operated to produce images.” *Ibid.* In contrast, according to the district court, Jericho’s invention “simpl[y] uses standard computing processes to implement an idea unrelated to computer technology.” *Id.* at 17; see also *id.* at 18 (explaining that the claim is implemented by “generic computer functionality”). The district court did not explain how that conclusion was consistent with its earlier acknowledgment that the claims provide “a complex method that uses attributes, rules, connectors, classifications, and remote data sources,” *id.* at 12, or cite any evidence supporting its conclusion that the patent used only “generic computer functionality.” *Id.* at 18.

Concluding without any preemption analysis that all claims of the ’836 patent were “directed to a purely abstract idea without any inventive concept,” the district court held that the subject matter was not eligible for patent protection and granted Axiomatics’ motion. *Id.* at 19.

6. Jericho appealed to the Federal Circuit. Axiomatics defended the judgment below primarily by arguing that the claims merely recited “generic computer implementation.” See Brief of Appellees at 1, 3, 11, 29, 30, 44, 45, *Jericho Sys. Corp. v. Axiomatics, Inc.*, 2016 WL 945275 (Fed. Cir. Mar. 13, 2016) (No. 2015-1656).

At oral argument, the panel struggled to define what constitutes an “abstract idea.” Oral Argument at 8:20, 20:55, *Jericho Sys. Corp. v. Axiomatics Inc.*, No. 2015-1656, 2016 WL 945275 (Fed. Cir. 2016), <http://>

oralarguments.cafc.uscourts.gov/default.aspx?fl=20156.mp3. One member of the panel pointed out that it was not readily apparent that some of the patent’s claims—such as parking attributes away from the server and retrieving them through connectors as needed—were so commonplace that they should be considered logical outgrowths of the basic abstract idea (assuming it was such). *Id.* at 27:37, 28:30.

In spite of its doubts, the panel issued a one-word affirmance under Circuit Rule 36 (App. 2)—a common occurrence in the Federal Circuit, which resolves around 50 percent of its cases in that fashion. Jason Rantanen, *Data on Federal Circuit Appeals and Decisions*, PATENTLYO (June 2, 2016), <http://patentlyo.com/patent/2016/06/circuit-appeals-decisions.html>.

◆

REASONS FOR GRANTING THE PETITION

In *Mayo*, this Court established a two-part framework for distinguishing patents that claim abstract *ideas* from those that claim patent-eligible *applications* of those ideas. 132 S. Ct. at 1293-98. First, a reviewing court will determine if a patent is drawn to an “abstract idea”—a term that includes such things as ideas about “hedging risk,” *Bilski v. Kappos*, 561 U.S. 593, 599 (2010), and “intermediated settlement,” *Alice*, 134 S. Ct. at 2357. The court considering the patent then proceeds to the second step and considers whether the claims “transform that abstract idea into a patent-eligible invention.” *Ibid.* Step two analyzes

the extent to which an “inventive concept” makes the patent an application of the abstract idea rather than just the idea itself. *Ibid.*

Proper application of the *Mayo* test has proven elusive for lower courts. That confusion, in turn, has prevented courts from consistently and uniformly identifying patents that “‘transform’ the claimed abstract idea into a patent-eligible application.” See *ibid.* Compounding the confusion and departing further from *Alice*, the lower courts regularly decline any discussion of preemption in favor of rote analysis of patent language at so high a level of generality that the claim language is rendered all but meaningless. This leads to the untenable result that patents—such as the one here—that do not preempt other uses of the alleged “abstract idea” at issue are nevertheless held to violate *Alice*. This Court’s review is needed to resolve the confusion and ensure correct application of patent law by the circuit court charged with overseeing it.

I. This Court’s Review Is Needed To Resolve The Conflict Created By The Federal Circuit’s Misapplication Of *Alice*.

Notwithstanding this Court’s instruction in *Alice* that courts reviewing patents should proceed slowly in invalidating under § 101, 134 S. Ct. at 2354, 70 percent of these challenges have resulted in judgments of invalidity—many based on the pleadings alone. Robert R. Sachs, *Update on Patent Eligibility Decisions for First Quarter, 2016*, BILSKI BLOG (Apr. 2, 2016), <http://>

www.bilskiblog.com/blog/2016/04/update-on-patent-eligibility-decisions-for-first-quarter-2016.html. The post-*Alice* numbers are even bleaker for software patents on appeal. *Ibid.* This anomaly stems from the Federal Circuit’s conflation of the second step of the *Mayo* test with the first so that anything labeled as an “abstract idea” is virtually preordained to invalidation. This state of affairs is untenable and the serious conflict with *Alice* warrants this Court’s review.

By way of background, things such as laws of nature, natural phenomena, and abstract ideas are “the basic tools of scientific and technological work.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013). As a result, issuing patents to these types of things would “impede innovation more than it would tend to promote it” and this Court has excepted them from patent eligibility under § 101 of the Patent Act. *Mayo*, 132 S. Ct. at 1293. So “in applying the § 101 exception, [a reviewing court] must distinguish between patents that claim the ‘building block[s]’ of human ingenuity and those that integrate the building blocks into something more.” *Alice*, 134 S. Ct. at 2354 (alteration in original) (citing *Mayo*, 132 S. Ct. at 1303).

To conduct that inquiry, this Court established a two-part test. “First we determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* at 2355. Second, if the claims fall into one of the “building block” categories, “we then ask ‘[w]hat else is there in the claims before us?’” *Id.* at 2355 (quoting *Mayo*, 132 S. Ct. at 1297). In the second

step, a court will look for an “inventive concept” to show that the patent is more than just a patent on the abstract idea itself. *Ibid.* Though *Alice* did not “delimit the precise contours of the ‘abstract idea’ category,” *id.* at 2356-57, the Court did offer several examples capturing the “longstanding rule that ‘[a]n idea of itself is not patentable.’” *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (quoting *Mackay Radio & Tel. Co. v. Radio Corp. of Am.*, 59 S. Ct. 427, 431 (1939) and *Rubber Tip Pencil Co. v. Howard*, 87 U.S. (20 Wall.) 498, 507 (1874)).

While the test may seem straightforward, the Federal Circuit—and, consequently, the district courts—have been unable to reach the balance struck in *Alice* between preventing the monopolization of the “building blocks” of invention and allowing the exclusionary principle to “swallow all of patent law.” *Alice*, 134 S. Ct. at 2354. This Court’s review is necessary to provide badly needed guidance on this critical issue of patent law.

This Court recognizes that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” *Mayo*, 132 S. Ct. at 1293. In the wake of *Alice*, the lower courts have routinely identified abstract ideas at the heart of software patents, which are inherently based on the abstract idea of an algorithm.

Thus for software patents to survive at all, they must rest on an “inventive concept” that the claims add to the underlying abstract idea. *Alice*, 134 S. Ct. at 2355. This Court has established the proper inquiry—

i.e., “whether the claims * * * do more than simply instruct the practitioner to implement the abstract idea * * * on a generic computer,” *id.* at 2539—but courts have been unable to apply this test with any predictability or consistency, other than to err on the side of invalidity.

The conflict is sharp, and the confusion rampant. For example, in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), the panel correctly focused on the specific claims at issue, asking whether they “attempt to preempt every application of the [abstract] idea” or instead “recite a specific way” to implement that idea. *Id.* at 1259. Under this test, the software patent’s validity was upheld. But *DDR*’s helpful “every application” versus “specific way” test has failed to take root in the Federal Circuit’s jurisprudence. *Ibid.*

Another panel conflated the “inventive concept” inquiry in the second step of *Mayo* with the affirmative defense that a patent is invalid because it was anticipated by prior art. See *Genetic Techs. Ltd. v. Merial L.L.C.*, No. 2015-1202, 2016 WL 1393573, at *7 (Fed. Cir. Apr. 8, 2016) (concluding that the steps did not “provide sufficient inventive concept to render claim 1 patent eligible” in light of the prior art).

Still other cases have simply announced—without analysis or explanation—that claims adding steps beyond the abstract idea are merely “conventional” steps ineligible for patent protection. See *In re Smith*, 815

F.3d 816, 819 (Fed. Cir. 2016) (determining that “shuffling and dealing a standard deck of cards are ‘purely conventional’ activities”); *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1335 (Fed. Cir. 2015) (“The steps in Versata’s claims * * * are conventional, routine, and well-known. They involve the normal, basic functions of a computer.”); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (“Just as in *Alice*, all of these computer functions are well-understood, routine, conventional activities previously known to the industry.” (internal quotation marks and citation omitted)); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715-16 (Fed. Cir. 2014) (“[T]he claimed sequence of steps comprises only conventional steps, specified at a high level of generality, which is insufficient to supply an inventive concept.” (internal quotation marks and citation omitted)).

Patents should not be invalidated based on no more than *ipse dixit*. The Federal Circuit has held that the patent examiner and the Patent Trial and Appeal Board cannot rely on unexplained “general knowledge” to reject patents as obvious under § 103: “[W]hen they rely on what they assert to be general knowledge to negate patentability, that knowledge must be articulated and placed on the record.” *In re Lee*, 277 F.3d 1338, 1345 (Fed. Cir. 2002). There is no reason that unarticulated “general knowledge” about computers should be grounds for holding a patent ineligible under § 101.

Another Federal Circuit case appears to suggest that any software relying on “generic computer

components” cannot “satisfy the inventive concept requirement.” *Mort. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1317 (Fed. Cir. 2016). This cannot be the correct test, unless software patents are to be wholly eliminated. At base, all software patents rely on generic computer components. It is how these generic components are selected, combined, programmed, and manipulated that provides the “inventive concept” that renders software eligible for patent protection.

But there is an almost unbroken trend of lower courts failing to heed this Court’s warnings about the necessity of careful and detailed analysis of the improvements made to existing art at step two of the *Mayo* test. Given the inherently abstract nature of software patents generally, this inquiry is vital. Otherwise, the § 101 exceptions for patentability will swallow the rule that would otherwise allow them. As things stand, since *Alice* was decided the Federal Circuit has held only two software patents valid.¹ If property rights in software patents are to be protected with any predictability and rationality, this Court’s guidance is needed to clarify step two, resolve the conflict, and eliminate widespread confusion.

¹ The recent case of *Enfish, LLC v. Microsoft Corp.*, No. 2015-1244, 2016 WL 2756255 (Fed. Cir. May 12, 2016), is one of them—but the Court only reached that result by modifying the step one inquiry—it did not clarify the step two inquiry. As a result, *Enfish* only exacerbates the confusion in the Federal Circuit’s jurisprudence.

II. The Proper Application Of *Alice* Is A Frequently Recurring And Substantially Important Issue Of Federal Patent Law.

The questions presented recur frequently and warrant this Court’s attention. The software industry is one of the primary growth drivers in today’s economy. See, e.g., Daniel Taylor, Comment, *Down the Rabbit Hole: Who Will Stand Up for Software Patents After Alice?*, 68 ME. L. REV. 217, 218 (2016) (“In 2014, U.S. companies invested \$313 billion in developing software to support their businesses, and, to protect that investment, the U.S. Patent & Trademark Office issued 68,374 software-related patents * * * *”); Lidiya Mishchenko, *Alice: Through the Formalist Looking-Glass*, 97 J. PAT. & TRADEMARK OFF. Soc’y 214, 215 (2015) (“The software industry is an important part of our economy. It has grown from \$149 to \$425 billion between 1997 and 2012. This industry contributed \$526 billion to the U.S. GDP in 2012 alone.”); Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 TEX. L. REV. 961, 963 (2005) (“The U.S. software industry is characterized by astonishing levels of growth, innovative activity, and competition.”).

Yet as Judge Newman recognized in the Federal Circuit’s en banc decision in *Alice*, confusion in the lower courts threatens innovation because “the uncertainty of administrative and judicial outcome and the high cost of resolution are a disincentive to both innovators and competitors.” *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1321 (Fed. Cir. 2013) (en banc), *aff’d*, 134 S. Ct. 2347 (2014) (Newman, J., concurring

in part, dissenting in part); see also Mishchenko, *supra*, at 216 (“The uncertainty of patent protection rendered by the *Alice* decision is especially dangerous for this developing technology sector, where intellectual property is sometimes the most valuable asset a company owns.”).

The foundation of the patent system is predictability. “Reliable application of legal principles underlies the economic incentive purpose of patent law, in turn implementing the benefits to the public of technology-based advances, and the benefits to the nation of industrial activity, employment, and economic growth.” *Alice*, 717 F.3d at 1321 (Newman, J., concurring in part, dissenting in part). “In the area of patents, it is especially important that the law remain stable and clear.” *Bilski*, 561 U.S. at 613 (Stevens, J., concurring).

Since this Court decided *Alice*, time has demonstrated that courts and litigants need this Court’s guidance to ensure the stability and predictability upon which patent law depends (and innovation thrives). While purporting to apply this Court’s decision in *Alice*, different panels of the Federal Circuit have performed different legal analyses. See *supra* pp. 14-16. This Court’s review is badly needed to restore certainty and predictability essential to this important area of the law.

III. Despite The Federal Circuit’s cursory Treatment, This Case Is An Appropriate Vehicle To Resolve The Important Questions Presented.

This case is an appropriate vehicle for addressing the important, recurring question concerning the proper application of *Alice*. It involves a single issue—whether the ’836 patent is eligible for patent protection under § 101—that was resolved below on a motion for judgment on the pleadings. As a result, no additional legal or factual issues would complicate this Court’s analysis. The issues were fully briefed (and orally argued) in the Federal Circuit and are properly before this Court.

The absence of a reasoned opinion from the Federal Circuit should not present an obstacle to certiorari for two primary reasons.

First, the Federal Circuit is hopelessly conflicted and confused on application of the *Alice* test. See *supra* pp. 11-16; see also *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1345 (Fed. Cir. 2015) (“[P]recision has been elusive in defining an all-purpose boundary between the abstract and the concrete, leaving innovators and competitors uncertain as to their legal rights.”); *DDR Holdings*, 773 F.3d at 1255 (“Distinguishing between claims that recite a patent-eligible invention and claims that add too little to a patent-ineligible abstract concept can be difficult, as the line separating the two is not always clear.”). Only this Court can resolve the systemic misapplication of *Alice*

and this Court's § 101 precedent. Nothing would be gained from waiting to hear further from the Federal Circuit at this point.

Second, a grant of certiorari in this case would serve as a salutary reminder to the Federal Circuit about the appropriate use of one-word affirmances—which currently resolve over 50 percent of that court's cases. Rantanen, *supra* (showing that the percentage of Rule 36 opinions in appeals from district courts has increased from 21 percent to 43 percent in less than a decade). If the Federal Circuit is content to allow district court opinions to effectively substitute for its own opinions at such a high rate, that practice should not be permitted to “cert proof” issues that are otherwise cleanly presented and worthy of this Court's review. Cf. Philip P. Mann, *When the going gets tough . . . Rule 36!*, IP Litigation Blog (Jan. 14, 2016), <http://www.iplitigationblog.com/2016/01/articles/uncategorized/when-the-going-gets-tough-rule-36/> (arguing that the Federal Circuit relies on summary affirmance under Rule 36 to “sidestep difficult issues on appeal and simply affirm”).²

² The recent denials of certiorari in *Retirement Capital Access Management Co. v. U.S. Bancorp*, 136 S. Ct. 1513 (2015); *Joao Bock Transaction Systems, LLC v. Jack Henry & Assocs., Inc.*, 136 S. Ct. 1468 (2016); *Cloud Satchel, LLC v. Barnes & Noble, Inc.*, 136 S. Ct. 1723 (2016)—all in cases that, like this one, were resolved by summary affirmance—do not militate against review. First, those petitions were filed before the Federal Circuit confirmed the confusion in its own jurisprudence and its inability to resolve it. See *supra* pp. 11-16. Second, this case more cleanly presents the

IV. On The Merits, A Patent That Does Not Preempt Other Uses Of An Abstract Idea Cannot Fail *Alice* As A Matter Of Law.

The petition should also be granted because the Federal Circuit erred by failing to perform the preemption analysis this Court has described as “the concern that drives [the] exclusionary principle” in § 101. *Alice*, 134 S. Ct. at 2354. As this Court has explained, upholding a patent on an abstract idea alone “would preempt use of [that] approach in all fields, and would effectively grant a monopoly over an abstract idea.” *Bilski*, 561 U.S. at 612. In turn, “‘monopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it,’ thereby thwarting the primary object of the patent laws.” *Alice*, 134 S. Ct. at 2354 (alteration omitted) (quoting *Mayo*, 132 S. Ct. at 1932). That preemption analysis, however, is conspicuously absent from lower court opinions considering § 101 eligibility after *Alice* and *Mayo*—and the Federal Circuit has even suggested (albeit in an unreported per curiam opinion) that preemption is *not* the test for eligibility under § 101:

[W]hile assessing the preemptive effect of a claim helps to inform the *Mayo/Alice* two-step analysis, the mere existence of a non-preempted use of an abstract idea does not

question presented because the district court did not even consider the claims language, much less perform a sufficient preemption analysis.

prove that a claim is drawn to patent-eligible subject matter.

Vehicle Intelligence & Safety LLC v. Mercedes-Benz USA, LLC, No. 2015-1411, 2015 WL 9461707, at *3 (Fed. Cir. Dec. 28, 2015) (per curiam).

But the *Mayo* two-part test was not designed to replace the preemption analysis—far from it. Preemption is an overarching concern that animates the entire test. *Alice*, 134 S. Ct. at 2358 (“This conclusion accords with the pre-emption concern that undergirds our § 101 jurisprudence.”). But in sharp conflict with *Alice*, patents are routinely invalidated under § 101 that do not preempt other uses of the abstract idea. See, e.g., *Ultramercial*, 772 F.3d at 715-16; see also *McRO Inc. v. Activision Publ’g Inc.*, No. CV 14-336-GW(FFMx), 2014 U.S. Dist. LEXIS 135152, at *23 (C.D. Cal. Sept. 22, 2014) (holding claims ineligible even after defendants admitted the claims did not cover methods they used and stating that “[i]t is hard to show that an abstract idea has been preempted if there are noninfringing ways to use it in the same field”). This misapplication of this Court’s precedent is untenable and, as explained above, has serious real-world consequences—stifling innovation in a key sector of the economy.

This case exemplifies the problem. Once preemption is properly considered, it becomes obvious that the patent in issue survives § 101. As this Court explained, software patents preempt the use of an abstract idea only when the claims merely recite “an abstract idea while adding the words ‘apply it with a

computer.’” *Alice*, 134 S. Ct. at 2358 (quoting *Mayo*, 132 S. Ct. at 1301). A patent survives scrutiny if its claims’ recitation of a computer is more than “a mere instruction to implement an abstract idea on a computer.” *Ibid.* (internal quotation marks and alterations omitted).

The claims of the patent at issue here easily clear this bar, as the patent makes clear on its face that it covers only one specific implementation of the abstract idea identified by the district court. For example, one could create an attribute-based access system that is integrated directly with the server containing all of the security information that users could wish to access (lacking the “remote data sources” limitation of the patent). Or one could request attribute values using “connectors” without first “determining whether an attribute value for the attribute is present at the server.” App. 10.

Thus the patent’s claims do not come close to monopolizing the abstract idea of—in the district court’s words—“people who meet certain requirements are allowed to do certain things.” *Id.* at 12. And as the district court recognized, the claim “presents a complex method that uses attributes, rules, connectors, classifications, and remote data sources.” *Ibid.* Only an implementation of the abstract idea using *this* “complex method” is covered by the patent. Others remain perfectly free to implement the abstract idea in noninfringing ways.

The '836 patent does not simply “limi[t] the use of an abstract idea ‘to a particular technological environment.’” *Alice*, 134 S. Ct. at 2358 (quoting *Bilski*, 561 U.S. at 610-11). Any number of non-infringing products and services involve computers and the abstract idea that “people who meet certain requirements are allowed to do certain things.” For example, electronic hotel room keys require computers to apply the rule that any person in possession of the key should be allowed entry. The same is true of systems that scan tickets for entry to events. But it would be absurd to suggest that these systems infringe the '836 patent. These uses of the abstract idea are not preempted by the patent.

Indeed, Axiomatics has acknowledged that Jericho’s patent does not preempt other uses of the abstract idea. That is, Axiomatics recognized that an attribute-based access control system could be constructed without infringing Jericho’s patent. Dkt. No. 29 at 7. In fact, in a counterclaim, Axiomatics sought a declaration that *its* attribute-based access control system did not infringe Jericho’s patent. *Ibid.* The preemption analysis is thus dispositive in this case as Axiomatics itself identified at least one way in which a party could use the attribute-based access control without infringing the '836 patent.³

³ To the extent a challenger argues that an invention lacks sufficient innovation to receive patent protection, those arguments can be raised as challenges to patent validity under doctrines such as obviousness and anticipation.

In sum, this Court made clear in *Alice* that preemption is “the concern that drives this exclusionary principle.” *Alice*, 134 S. Ct. at 2354. In irreconcilable conflict with that instruction, district courts regularly (as in the instant case) apply *Alice* without so much as mentioning preemption—and the Federal Circuit has at best ignored the error and at worst excused it. This Court’s review is needed to resolve the conflict, dispel the confusion, and bring the Federal Circuit’s case law in line with this Court’s § 101 precedent.

V. Alternatively, The Petition Should Be Held Pending The Disposition Of *Sequenom*.

The pending petition in *Sequenom* presents the same preemption issue as the instant petition, but in the context of the “natural phenomenon” exception to § 101 patentability, as opposed to the “abstract idea” exception at issue in this case. Jericho agrees with *Sequenom* that its petition should be granted and therefore respectfully requests that at the least, Jericho’s petition be held pending the disposition of that case, as any direction from this Court on the question presented in *Sequenom* would likely affect the outcome of this case. Alternatively, the Court may wish to consider granting both petitions and consolidating the cases to provide much-needed guidance on *Alice*’s application to patents involving abstract ideas as well as natural phenomena.



CONCLUSION

The petition for a writ of certiorari should be granted or, in the alternative, the case should be held pending further guidance from this Court.

Respectfully submitted,

ALLYSON N. HO

Counsel of Record

JOHN C. SULLIVAN

MORGAN, LEWIS & BOCKIUS LLP

1717 Main Street, Suite 3200

Dallas, Texas 75201

T. 214.466.4000

allyson.ho@morganlewis.com

J. KEVIN FEE

ALEX HANNA

MORGAN, LEWIS & BOCKIUS LLP

1111 Pennsylvania Avenue, N.W.

Washington, D.C. 20004

T. 202.739.3000

WILLIAM R. PETERSON

MORGAN, LEWIS & BOCKIUS LLP

1000 Louisiana Street, Suite 4000

Houston, Texas 77002

T. 713.890.5000

Counsel for Petitioner