

No. 24-

IN THE

Supreme Court of the United States

HARRIS BRUMFIELD, TRUSTEE FOR ASCENT
TRUST,

Petitioner,

v.

IBG LLC, INTERACTIVE BROKERS LLC,

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

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QUESTIONS PRESENTED

1. Federal Rule of Civil Procedure 60(b)(3) empowers parties to seek relief from an adverse judgment, upon a showing of “fraud,” “misrepresentation, or misconduct by an opposing party.” Petitioner filed such a motion in this case, requesting an entirely new damages trial based on Respondent’s fraud. The district court abused its discretion by refusing to grant a new trial, and the Federal Circuit perpetuated this error by affirming.

Additionally, Federal Rule of Civil Procedure 60(b)(3) includes no requirement that a party must establish diligence in uncovering another party’s fraud, misrepresentation, or misconduct. Nonetheless, the Federal Circuit held that diligence is a requirement to relief under Rule 60(b)(3). The circuits are split on this issue. The first question presented is:

Whether the lower courts abused their discretion by denying the meritorious Rule 60(b)(3) motion, and whether Rule 60(b)(3) requires a showing that a moving party was diligent in uncovering fraud, misrepresentation, or misconduct to obtain relief from a judgment?

2. The three categorical judicial exceptions to patent eligibility that are further defined by the two-step *Alice/Mayo*¹ test impose limitations to eligibility that are inconsistent with the text of 35 U.S.C. § 101 of the 1952 Patent Act. These limitations are

¹ *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208 (2014); *Mayo Collaborative Servs. v. Prometheus Lab’ys, Inc.*, 566 U.S. 66 (2012).

completely untethered from the statute and have swallowed the intended rule of broad patent eligibility itself. The second question presented is:

Whether this Court's three categorical judicial exceptions to patent eligibility that are further defined by the two-step *Alice/Mayo* test impose limitations on patent eligibility that are inconsistent with the text of 35 U.S.C. § 101 of the Patent Act of 1952?

3. The Federal Circuit routinely and improperly affirms lower courts that resolve eligibility questions at the summary judgment stage even when there are disputed issues of material fact. The Federal Circuit did so here in ignoring over 800-pages of evidence that created a material factual dispute as to whether the patents were patent eligible. The Federal Circuit also routinely decides issues that were never appealed or ruled on below. It did so here by ruling on a new issue *sua sponte*. The third question presented is:

Whether this Court's supervisory authority is needed to correct the Federal Circuit's improper (1) application of Rule 56 to patent cases and (2) practice of deciding issues that were never argued or briefed on appeal?

RULE 29.6 STATEMENT

Petitioner has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

LIST OF PROCEEDINGS

There are no other court proceedings “directly related” to this case within the meaning of Rule 14(b)(iii).

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PETITION FOR A WRIT OF CERTIORARI

Mr. Brumfield respectfully requests a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

DECISIONS BELOW

The Federal Circuit's opinion is reported at 97 F.4th 854 (Fed. Cir. 2024) and reproduced at Pet. App. 1a-57a. The decisions and orders of the district court are reported at 2021 WL 2473809 (N.D. Ill. June 17, 2021) and 586 F. Supp. 3d 827 (N.D. Ill. 2022), and reproduced at Pet. App. 58a-104a.

JURISDICTION

The Federal Circuit entered its judgment on March 27, 2024. A timely combined petition for panel rehearing and rehearing en banc was denied on August 5, 2024. (Pet. App. 105a-106a). On October 3, 2024, the Chief Justice granted Mr. Brumfield's application to extend the time to file this petition until January 2, 2025. This petition is thus timely filed under Sup. Ct. R. 13. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS AND RULES

Federal Rule of Civil Procedure 60(b)(3) provides:

(b) Grounds for Relief from a Final Judgment, Order, or Proceeding. On motion and just terms, the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the following reasons:

- (1) mistake, inadvertence, surprise, or excusable neglect;
- (2) newly discovered evidence that, with reasonable diligence, could not have been discovered in time to move for a new trial under Rule 59(b);
- (3) fraud (whether previously called intrinsic or extrinsic), misrepresentation, or misconduct by an opposing party;
- (4) the judgment is void;
- (5) the judgment has been satisfied, released, or discharged; it is based on an earlier judgment that has been reversed or vacated; or applying it prospectively is no longer equitable; or
- (6) any other reason that justifies relief.

35 U.S.C. § 101 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.

35 U.S.C. § 100(b) provides:

The term “process” means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.

Federal Rule of Civil Procedure 56(a) provides:

(a) Motion for Summary Judgment or Partial Summary Judgment. A party may move for summary judgment, identifying each claim or defense--or the part of each claim or defense--on which summary judgment is sought. The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law. The court should state on the record the reasons for granting or denying the motion.

INTRODUCTION

Rule 60(b)(3) of the Federal Rules of Civil Procedure empowers courts to provide relief from an adverse judgment upon demonstrating “fraud,” “misrepresentation, or misconduct by an opposing party.”

This Court should use this case to correct the errors made by the district court in denying, and the Federal Circuit in affirming, the Petitioner’s meritorious Rule 60(b)(3) motion. Specifically, Petitioner uncovered evidence post-trial that Respondent grossly misrepresented its damages data, rendering the jury’s verdict unsupportable. The district court abused its discretion by denying Petitioner’s motion and the Federal Circuit erred by failing to correct this injustice.

This case also presents a question of significant importance in resolving a circuit conflict on the interpretation of this Rule. Unlike Rule 60(b)(2), which requires “reasonable diligence” in discovery of the grounds for relief from judgment, Rule 60(b)(3) has no similar diligence requirement. Yet in a departure from the majority of circuits, the Federal Circuit denied Petitioner’s request for relief under Rule 60(b)(3) for want of diligence. (Pet. App. 56a-57a). This ruling departs from Seventh Circuit law, which the Federal Circuit purported to apply, and conflicts with the law of all other Circuits. Only the Ninth Circuit also requires diligence.

The Court should also address whether the three categorical judge-made exceptions to patent eligibility that are further defined in the *Alice/Mayo* framework are consistent with the plain language of § 101 of the Patent Act. The Court’s decisions have assumed as

much, but the text and structure of the statute conflict with these judge-made limitations. Indeed, the text of § 101 prohibits inventions if they are not *new and useful*. The judicial categorical exceptions that are defined by the *Alice/Mayo* framework, however, impose other limitations for patent eligibility such as, whether claims “purport to improve the functioning of the computer itself,” “effect an improvement in any other technology or technical field,” or provide an “inventive concept” that is not “well-understood, routine, [and] conventional.”² This Court should dispose of this unworkable jurisprudence and end the decades of turmoil whereby courts have struggled to apply these judge-made limitations to modern age inventions.

Finally, this Court should exercise its supervisory authority to address the Federal Circuit’s persistent misapplication of procedural standards. Specifically, the Federal Circuit routinely affirms the invalidation of patents under 35 U.S.C. § 101 on summary judgment, despite the existence of material factual disputes. It also improperly renders sua sponte decisions on arguments not presented by the parties. Without this Court’s intervention, lower courts will continue to unjustly deprive litigants of the opportunity to be heard.

² *Alice*, 573 U.S. at 221, 225 (internal quotations omitted).

STATEMENT OF THE CASE**I. THE DISTRICT COURT ABUSED ITS DISCRETION BY DENYING BRUMFIELD'S RULE 60(B)(3) MOTION IN THE PRESENCE OF MASSIVE FRAUD AND REQUIRING TT TO UNCOVER THE FRAUD DILIGENTLY, WHICH THE FEDERAL CIRCUIT IMPROPERLY AFFIRMED**

Petitioner in this case is referred to as “Trading Technologies” or “TT” or alternatively “Brumfield Trustee” due to the recent sale of TT.

TT was the original plaintiff in this patent lawsuit against Interactive Brokers Group (“IBG”), which was filed in February 2010. (CAFC App. 57202). Harris Brumfield was the primary investor in TT and the majority shareholder of TT for 20+ years until its sale to 7RIDGE, Cboe, and SGX, which closed on December 21, 2021. (CAFC App. 103656). Mr. Brumfield was also CEO of TT from 2003–2014 and Chairman of the Board from 2014–2018.

The patents asserted in this lawsuit are no longer owned by TT. (CAFC App. 103656). They were spun out into a trust named Ascent Trust in conjunction with the aforementioned sale of TT. *Id.* The beneficiaries of Ascent Trust are the former shareholders of TT, of which Mr. Brumfield makes up 51%, one thousand current and former employees make up 40%, and three other investors make up 9%. Mr. Brumfield is the sole trustee of Ascent Trust. *Id.* Accordingly, Mr. Brumfield on behalf of Ascent Trust was substituted for TT in this patent case against IBG. (CAFC App. 103482).

After a month-long jury trial (August 9, 2021–September 7, 2021) in this patent lawsuit, the jury returned the following verdict:

- Validity of patents in TT’s favor
- Infringement of patents in TT’s favor, with an infringement period of July 2004–January 2022
- Damages of \$6,610,985 in IBG’s favor, as TT asked for \$962,440,850, while IBG proposed \$3,305,493
- No willful infringement in IBG’s favor.

(CAFC App. 93223-93227; CAFC App. 2; Pet. App. 23a; CAFC App. 102577).

TT uncovered evidence post-trial that IBG fraudulently misrepresented its damages data, rendering the jury’s verdict unworkable. (CAFC App. 97513; CAFC App. 94675). TT filed a motion with the district court requesting an entirely new damages trial based on IBG’s fraud. (CAFC App. 93236-93243; CAFC App. 97511-97515; CAFC App. 103483-103491; CAFC App. 103656-103661). The district court denied this motion based on no fraud by IBG and TT’s lack of due diligence, and the CAFC affirmed on both fronts. (CAFC App. 29-41; Pet. App. 55a-57a; Pet. App. 58a-76a)

**A. The Patent Claims in this Case;
IBG’s BookTrader Tool Is the Tool
Accused of Infringement**

The patent claims in this case, a part of the ‘132/304 patents, are directed to a GUI order entry tool comprised of locations along a static price axis designed to receive single action commands to send

“submit”) electronic orders to the exchange. (CAFC App. 1760-1761; CAFC App. 103656).

IBG provides two graphical user interfaces (GUIs) for Trader Workstation (TWS), TWS Classic (Classic) and TWS Mosaic (Mosaic). (CAFC App. 103656). Classic was launched in 1995. *Id.* Mosaic was launched in 2012 and became the default version for TWS in 2014. *Id.* BookTrader is one of the many tools provided in Classic and Mosaic, and it is the tool accused of infringement in this case. *Id.*

B. The Data

In discovery, IBG produced 500+ stats reports that IBG senior management, and software developers who were involved with the development of TWS, received on a weekly basis from June 2008–April 2019. (See e.g., CAFC App. 105512-105579; CAFC App. 106007-106029; CAFC App. 116548-116602; CAFC App. 132582-132652).

When we check the 500+ stats reports, they show that BookTrader was only responsible for 4.08% of the orders submitted in TWS that resulted in trades from June 2008–April 2019. (See e.g., CAFC App. 105512-105579; CAFC App. 106007-106029; CAFC App. 116548-116602; CAFC App. 132582-132652). Our trading domain folks have always been adamant that this percentage was utter nonsense. (See generally CAFC App. 103519-103520; CAFC App. 103522-103585; CAFC App. 103587; CAFC App. 135548-135567; CAFC App. 135568).

C. Definitions

For clarity, orders are instructions. (CAFC App. 101354). They express the desire of a client to buy or

sell a specific instrument. *Id.* Orders are also called submits. *Id.* Trades occur when different orders match. Trades are also called fills. *Id.*

For clarity, whenever we speak of tools that “submit” orders, we are talking about “submitting” (sending) orders to the exchange. (CAFC App. 103656; Blue Br. at 24).

D. The District Court Abused Its Discretion in Finding that TT Was Not Diligent in Uncovering IBG’s Fraud

The district court also denied TT’s motion based on its belief that TT was not diligent in uncovering IBG’s fraud/misrepresentations. (Pet. App. 69a). (Red Br. at 54). The district court held that “[n]othing prevented Brumfield from comparing [IBG]’s assertion that Accumulate/Distribute is its most valuable tool with the stat reports prior to trial and reaching the same conclusion he reaches post-trial.” (Pet. App. 70a; *see also* Pet. App. 75a (“[N]othing prevented Brumfield from performing his investigation . . . prior to trial . . .”).

The Federal Circuit affirmed, echoing that TT was not diligent in uncovering IBG’s alleged fraud:

On the basis of its supported findings, the court could properly conclude, as it did, that TT had ample reason and opportunity before trial to uncover the now-asserted problems with IBG’s evidence that TT says it uncovered only through its post-trial investigation.

It is institutionally important that parties generally be held to the duty to

conduct needed investigations of facts before trial. *See, e.g., Rutledge v. United States*, 230 F.3d 1041, 1052 (7th Cir. 2000) (stating that “Rule 60(b) motions cannot be used to present evidence that with due diligence could have been introduced before judgment”).

(Pet. App. 56a-57a (internal citations omitted in part)). While the Federal Circuit relied on the Seventh Circuit *Rutledge* case, it failed to appreciate that *Rutledge* required diligence in view of newly discovered evidence under Rule 60(b)(2)—not fraud or misrepresentation under Rule 60(b)(3). *Rutledge*, 230 F.3d at 1052-53.³

II. MR. BRUMFIELD’S PATENTS RECITE A NEW AND USEFUL LADDER TOOL THAT IS PATENT ELIGIBLE

Harris Brumfield, Trustee of Ascent Trust,⁴ is a renowned inventor in the field of electronic trading who patented a graphical user interface (“GUI”) tool for electronic trading (the “Ladder Tool”) that revolutionized the trading industry.⁵

³ The Court overlooked the Seventh Circuit’s earlier and controlling *Lonsdorf v. Seefeldt* opinion, which arose under Rule 60(b)(3) and rejected any diligence requirement in obtaining relief. 47 F.3d 893, 898 (7th Cir. 1995).

⁴ As explained below, Harris Brumfield, the trustee for Ascent Trust, was substituted for TT in the underlying action. For consistency, Petitioner is referred to herein as TT.

⁵ At issue are U.S. Patents 7,676,411 (the “411 patent”) and 7,813,996 (the “996 patent”).

Before the Ladder Tool was invented, various conventional interfaces existed. One conventional interface was the “market grid” (Figure 2 below).

FIG. 2

	Contract	Depth	BidQty	BidPrc	AskPrc	AskQty	LastPrc	LastQty	Total
1	CDHO	•	785	7626	7627	21	7627	489	8230
2			626	7625	7629	815			
3			500	7624	7630	600			
4			500	7623	7631	2456			
5			200	7622	7632	800			

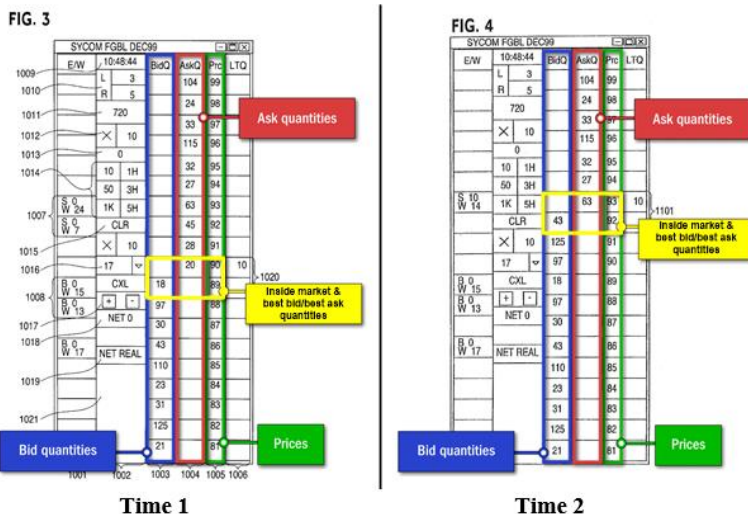
(CAFC App. 66559-66560). Although the market grid was widely accepted for rapid order entry, Mr. Brumfield noticed a significant problem with its construction. (CAFC App. 66563-66565). Specifically, because the best bid/ask prices were always displayed in the same location, the prices in those cells were constantly changing, and users were at risk of entering orders at unintended prices. *Id.* The Federal Circuit considered this market grid and found that its construction created this accuracy problem. *IBG LLC v. Trading Techs. Int’l, Inc.*, 757 F. App’x 1004, 1007 (Fed. Cir. 2019); *Trading Techs. Int’l, Inc. v. CQG, INC.*, 675 F. App’x 1001, 1006 (Fed. Cir. 2017). As the court explained:

[A] trader might intend to click on a particular price but, between the time he decides to do so and the time he actually clicks (which may be only hundredths of a second), the price may change. He may not be able to stop the downward motion

of his finger and the order would be sent to market at an incorrect or undesired price.

IBG, 757 F. App'x at 1007 (alteration in original) (quoting CAFC App. 66527).

The Ladder Tool (Figures 3 and 4 below) solves this problem and revolutionized the trading industry. (CAFC App. 66574-66576). It displays a range of prices along an axis (like a ladder). Unlike the market grid, the prices in cells do not change every time there is a change in the market. *Id.* As shown below, at Time 2, the inside market (yellow box) moved up, but the prices did not move. As *IBG* found, the '411/'996 patents solve the accuracy problem "by displaying market depth on a vertical or horizontal plane, which fluctuates logically up or down, left or right across the plane as the market fluctuates." 757 F. App'x at 1007 (internal quotations omitted); (*see also* CAFC App. 66647-66654; CAFC App. 66577; CAFC App. 66587-66589).



This improvement, which solves a technical problem with prior screens, was not routine, and would have been perceived as radically unconventional to those of skill in the art at the time of the invention. (CAFC App. 66648-66654; CAFC App. 66492-67335).

III. THE LOWER COURTS INVALIDATED SOME OF BRUMFIELD'S LADDER TOOL PATENTS AT SUMMARY JUDGMENT AND EXCLUDED CERTAIN OF TT'S DAMAGES TESTIMONY

In 2010, TT brought suit to enforce its patents. (CAFC App. 46). After the case was stayed pending review by the Patent Trial and Appeal Board ("PTAB"), the Federal Circuit issued its *IBG* decision, and the case resumed. 757 F. App'x at 1007.

A. The District Court Invalidated the '411/'996 Patents as Ineligible and the Federal Circuit Affirmed

In June 2021, the district court ruled on the parties' summary judgment cross-motions and held that the '411/'996 patents were ineligible under § 101.⁶ (Pet. App. 84a-104a). The district court found, under *Alice/Mayo* step one, that the claims were directed to “the abstract idea of placing orders on an electronic exchange.” (Pet. App. 100a). The court found that while the claimed arrangement “has benefits over the prior art, the []arrangement is not innovative in that it solves a technical problem.” (Pet. App. 104a). The district court gave no weight to the Federal Circuit's *IBG* ruling, which explicitly found that the same claims are directed to a technical improvement over prior art market grids. (Pet. App. 101a-102a).

The district court also found that summary judgment was appropriate under *Alice/Mayo* step two. (Pet. App. 103a-104a). Yet, the court ignored over 800-pages of evidence that created a material factual dispute as to whether the patents were “well understood, routine and conventional.” (CAFC App. 66492-67335). The district court's opinion does not mention, let alone analyze, whether the claims were well-understood, routine, and conventional.

On *de novo* review, the Federal Circuit affirmed, finding that the patented claims do not recite any improvement in computer-related technology. (Pet. App. 26a-27a). In doing so, the Federal Circuit contradicted its earlier *IBG* decision, which found that

⁶ The district court found that related patents, U.S. Patents 6,772,132 (the “132 patent”) and 6,766,304 (the “304 patent”), were eligible under § 101. (Pet. App. 96a-99a).

the claims *do* recite a technological improvement. 757 F. App'x at 1007.

Moreover, like the district court, the Federal Circuit ignored over 800-pages of evidence presented by TT that the claims were far from “well understood, routine and conventional” to a person skilled in the relevant field. (CAFC App. 66492-67335). The court failed to address how it could have been proper for the district court to rule against TT at summary judgment when there were material issues of fact. (Pet. App. 27a).

B. The District Court Excluded Certain Testimony of TT's Damages Expert, and the Federal Circuit Affirmed

The district court excluded certain testimony of TT's damages expert, Ms. Lawton. Specifically, the court excluded Ms. Lawton's damages theory that sought to recover any foreseeable damages (e.g., foreign conduct) that resulted from domestic, infringing acts. (CAFC App. 18-20). The district court excluded this testimony based on its finding that this Court's decision in *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407 (2018) did not authorize damages based on foreign conduct for infringement under 35 U.S.C. § 271(a). (CAFC App. 18-20).

In a case of first impression, the Federal Circuit agreed with TT that *WesternGeco* authorizes damages based on foreign conduct in § 271(a) cases. (Pet. App. 32a). This was the sole damages issue appealed. However, instead of remanding the case to allow TT to seek such damages (as even IBG agreed was proper

(Red Br. at 50 n.10)), the Federal Circuit affirmed the exclusion of TT's damages expert based on its novel view that the expert failed to establish a "casual connection" between infringement (i.e., the infringing acts under § 271(a)) and the "foreign conduct for which the proposal seeks royalty damages." (Pet. App. 52a). This issue was never argued or briefed by the parties on appeal.

TT sought review of the opinion en banc. (Pet. App. 105a-106a). Although the Federal Circuit requested a response, it ultimately denied rehearing. (*Id.*).

This petition followed.

REASONS FOR GRANTING THE PETITION

I. THE COURT SHOULD GRANT REVIEW TO ADDRESS IBG'S FRAUD AND RESOLVE A CIRCUIT SPLIT OVER TT'S MERITORIOUS RULE 60(b)(3) ARGUMENT

A. IBG's Massive Fraud

IBG has committed massive fraud over this entire case, the evidence is so straightforward and obvious, and the district court and the CAFC have made enormous errors and abused their discretion ruling otherwise. (CAFC App. 29-41; Pet. App. 55a-57a).

As mentioned before, the patent claims in this case, a part of the '132/304 patents, are directed to a GUI order entry tool comprised of locations along a static price axis designed to receive single action

commands to send (“submit”) electronic orders to the exchange. (CAFC App. 1760-1761).

IBG was able to convince the jury to adopt its damages model, which was premised on multiplying an asserted reasonable royalty times the number of trades directly resulting from users clicking along BookTrader’s static price axis to submit orders to the exchange. (CAFC App. 42; CAFC App. 102577; Pet. App. 5a-8a, 23a).

IBG, in accordance with this damages model, represented that it tracked (i.e., counted) orders and trades in TWS by what tools submit the orders to the exchange. For instance, Mr. Galik, IBG’s CEO, testified in detail at trial that IBG tracks orders and trades by the tools that submit the orders. (CAFC App. 101354-101356 (citing CAFC App. 133373); CAFC App. 101373). Indeed, the district court confirmed that IBG claimed during discovery and trial that it tracks orders and trades by what tools submit the orders. (CAFC App. 29-30).

After trial, TT learned that IBG’s representation about tracking orders and trades by what tools submit the orders was false, and we filed our motion for a new damages trial. (Blue Br. at 23, 54). In response, IBG attached a declaration from Mr. Stetsenko to its opposition brief, where the following is laid out in paragraph 22:

The order entry tools in TWS can largely be categorized into two categories: (a) those that are self-contained (i.e., they have their own order entry mechanism); and (b) those that are intended for order placement but do not have their own graphical order entry mechanism and thus use another IB tool for that

purpose (e.g., Mosaic Market Depth (aka “Agg Book”)). For the first category, the mechanism of order entry is straightforward; a user simply clicks to place an order or uses the keyboard to input an order from that tool. BookTrader belongs to this first category. For the second category, because the tools are intended for order placement but do not have their own graphical order entry mechanism, IB purposely uses another IB tool, such as the tool Order Entry, for the graphical display that the user can interact with to place an order or the user can use the keyboard to input an order. For both categories, when an order is placed using the keyboard, the order is correctly tagged with the originator tag of the tool it originated from, not any other tool. Similarly, if the order is placed using the graphical interface, the order is correctly tagged with the originator tag of the tool it originated from.

(CAFC App. 98646-98647; *see also* CAFC App. 98634-98649). Here Mr. Stetsenko is forced to admit that IBG is attributing a portion of its trades to tools that cannot submit orders and that IBG is tracking orders and trades by what tools originate (i.e., start) the orders, and not any other way. (Blue Br. at 52-54; Gray Br. at 20-23; CAFC App. 103657).

However, the district court then relied on Mr. Stetsenko’s testimony to jump to the conclusion that since BookTrader is in the first category of tools, for orders submitted through BookTrader, the originating tool and the submitting tool are necessarily the same (and even claims that Mr. Brumfield confirms this). (CAFC App. 39-40; Blue Br. at 62). But Accumulate/Distribute, also in the first category of tools, proves that this cannot be the case. (CAFC App. 97513; *see also* CAFC

App. 98674; CAFC App. 98733; CAFC App. 133809-133820; Blue Br. at 61-62).

Specifically, Mr. Peterffy, IBG's founder, testified over the course of his two depositions and the trial that Accumulate/Distribute is IBG's best, most advanced, most valuable, and arguably most important tool. (CAFC App. 98670-98675; CAFC App. 98732-98734; CAFC App. 101170-101171; Blue Br. at 55). Accumulate/Distribute is an algo that works behind the scenes and is solely used to submit orders, so when Mr. Peterffy talks about its great value, it is solely in the context of submitting orders and the resulting trades. (CAFC App. 97513; *see also* CAFC App. 98674; CAFC App. 98733; CAFC App. 133809-133820; Blue Br. at 55).

Mr. Peterffy, who designed most of TWS, including Accumulate/Distribute, has been the Head of Sales at IBG for 20+ years, and is highly knowledgeable about Accumulate/Distribute. (CAFC App. 101174). As Head of Sales, he has received sales reports on a weekly basis from 12-50 salespeople for 20+ years (totaling 25k+ sales reports), and he takes the sales reports seriously. (CAFC App. 101110-101111; CAFC App. 101146-101158).

By way of Mr. Peterffy, it is only logical that Accumulate/Distribute is a major tool, with major orders submitted, and major trades thereof.

Yet IBG's 500+ "stats reports" show that Accumulate/Distribute was only responsible for a virtually nonexistent .08% of the trades in TWS from June 2008–April 2019 (i.e., 1 in every 1250 trades). (*See e.g.*, CAFC App. 105512-105579; CAFC App. 106007-106029; CAFC App. 116548-116602; CAFC App.

132582-132652; Blue Br. at 55). Mr. Stetsenko confirmed this virtually nonexistent trade volume for Accumulate/Distribute in paragraph 24 of his declaration. (*See* CAFC App. 98647-98648).

For reference, according to IBG, “Main Window” accounted for 22.9% of the trade volume, whereas Accumulate/Distribute’s trade volume is a tiny fraction of this. (CAFC App. 138336).

In the end, the great value of Accumulate/Distribute and the virtually nonexistent trade volume of Accumulate/Distribute can never, ever be made sense of unless a first category tool may have orders originated to it from another tool. (CAFC App. 97513-97514). This is basic deduction. Also, the great value of Accumulate/Distribute and the virtually nonexistent trade volume of Accumulate/Distribute demonstrate the potential extreme lack of correlation between what tools originate the orders and what tools submit the orders. (Blue Br. at 55-56).

Therefore, IBG has fraudulently misrepresented the BookTrader trade volume to be something that it is utterly not. (*E.g.*, CAFC App. 98646-98647; Blue Br. at 52-56). To this end, IBG was very strategic in faking and relentlessly hammering that BookTrader was merely responsible for submitting 3-5% of the trades through TWS at trial. (*See* CAFC App. 29). This serves to belittle the invention and limit its value. This in turn serves to limit the per trade royalty rate, prevent a monthly minimum royalty rate, limit any monthly minimum royalty rate, and limit how broadly any monthly minimum is applied across those receiving TWS. (Blue Br. at 25, 56). All of this worked to perfection with the jury. Instead, had IBG provided

the proper information, the difference in damages could be 100+ times.

B. The Court Should Resolve the Circuit Split Concerning the Interpretation of Rule 60(b)(3)

Divergent caselaw has spawned among the circuits on how Rule 60(b)(3) should be applied and whether diligence is required, even though it is not stated in the text of the Rule. *Compare Am. Tel. & Tel. Co. v. United Computer Sys., Inc.*, 5 F.3d 534 & n.3 (9th Cir. 1993) (reversing Rule 60(b)(3) order because asserted fraudulently withheld information was discoverable by “reasonable diligence,” recognizing “conflicts” in the caselaw on this point), *with Cap Exp., LLC v. Zinus, Inc.*, 996 F.3d 1332, 1339 (Fed. Cir. 2021) (finding “Ninth Circuit’s additional due diligence requirement appears contrary to the text of Rule 60(b)(3)” and noting it was not “aware of any other courts of appeals that have adopted it.”).

Here, the Federal Circuit’s decision not only departs from the rule’s text and the majority of circuits, but also diverges from Seventh Circuit law, which the Federal Circuit was required to apply. This Court should intervene to resolve this circuit split.

Rule 60(b) “strikes a balance between the need for finality of judgments and the importance of ensuring that litigants have a full and fair opportunity to litigate a dispute.” *United Student Aid Funds, Inc. v. Espinosa*, 559 U.S. 260, 276 (2010); *see also Lonsdorf*, 47 F.3d at 897. In so doing, it “reflects and confirms the courts’ own inherent and discretionary power, . . . to set aside a judgment whose enforcement would

work inequity.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 233-34 (1995) (internal quotations omitted).

Rule 60(b) sets forth different grounds for granting relief from judgment. Rule 60(b)(2) allows new trials based on newly discovered evidence that moving parties, with reasonable diligence, could not have discovered in time to move for a new trial. Fed. R. Civ. P. 60(b)(2); *Fields v. City of Chicago*, 981 F.3d 534, 554 (7th Cir. 2020). Rule 60(b)(3), by contrast, addresses “fraud,” “misrepresentation, or misconduct by an opposing party.” Fed. R. Civ. P. 60(b)(3); *Lonsdorf*, 47 F.3d at 897. Rule 60(b)(3) “protects the fairness of the proceedings, not necessarily the correctness of the verdict.” *Lonsdorf*, 47 F.3d at 897.

As Rule 60(b)(3) is addressed to serious misconduct by opposing parties, the majority of Circuits have found that there is no need to establish diligence under this Rule, in contrast with the explicit requirement of Rule 60(b)(2). *Cap*, 996 F.3d at 1339 & nn.10-11; *cf. I.N.S. v. Cardoza-Fonseca*, 480 U.S. 421, 432 (1987) (finding Congress “acts intentionally” by including “particular language in one section of a statute,” but omitting it “in another section of the same Act” (internal quotations omitted)). For instance, the Seventh Circuit has unequivocally held that there is no diligence requirement under Rule 60(b)(3) for discovering fraud or misrepresentations. *Lonsdorf*, 47 F.3d at 898 (“Rule 60(b)(3) does not refer to timeliness in discovering the fraud . . .”). The Federal Circuit itself has recognized that there is a circuit split on whether Rule 60(b)(3) requires diligence. *Cap*, 996 F.3d at 1338-39, 1339 n.11 (criticizing the Ninth Circuit for applying diligence).

In this case, the argument adopted by the district court and the Federal Circuit ignores that the focus of Rule 60(b)(3) is solely on the egregious nature of the non-moving party (IBG), not whether the moving party (TT) could have discovered the misconduct with reasonable diligence. *See Lonsdorf*, 47 F.3d at 898; *cf. Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246 (1944) (“Surely it cannot be that preservation of the integrity of the judicial process must always wait upon the diligence of litigants.”), *overruled on other grounds by Standard Oil of Cal. v. United States*, 429 U.S. 17 (1976).

This circuit split is far from trivial. It would be patently unfair to require litigants, after being subjected to opposing parties’ fraud or misrepresentation, to establish that they diligently discovered the fraudulent conduct/misrepresentation. *Cf. Krock v. Elec. Motor & Repair Co.*, 339 F.2d 73, 74 (1st Cir. 1964) (“[T]o determine, as the court apparently did, that neglect gives the other party carte blanche to introduce testimony that is mistaken or worse, insulated from any further proceedings, would be to accept an evil far graver . . .”).

This case presents this Court with an ideal opportunity to resolve the circuit split. In the district court action, IBG represented to TT and the district court in discovery and throughout trial that IBG’s TWS software tracked trades by the specific software tools used to submit (i.e., send) the trade orders to an electronic exchange. (Pet. App. 59a). This was not true, as TT discovered after trial. (CAFC App. 97512-97515; CAFC App. 103656-103661). However, the district court and Federal Circuit denied relief based on their view that TT had not acted diligently in

uncovering the fraud. (Pet. App. 69a; Pet. App. 56a-57a). There should be no requirement that the moving party diligently uncover the opposing party's fraud/misrepresentations. TT was only required to promptly bring this issue to the district court's attention once TT became aware of the fraud/misrepresentation, which TT did.

Resolving this circuit split over Rule 60(b)(3) would end the diverging views that, as applied by the Federal Circuit, impair justice by shifting the blame for fraud on the injured party.

II. THE COURT SHOULD GRANT REVIEW BECAUSE THE JUDICIALLY CREATED LIMITATIONS ON ELIGIBILITY ARE INCONSISTENT WITH THE TEXT OF § 101 UNDER THE 1952 PATENT ACT

The Court has never given any consideration to whether the three categorical judicially-created exceptions to eligibility as further defined in the two-step *Alice/Mayo* framework are consistent with the language of the Patent Act of 1952. They are not. The § 101 statute and its legislative history only require that a patent claim purport to be *new and useful* and made by man to be eligible for patenting. Moreover, the plain text of § 101 does not contain any of the limitations set forth in the *Alice/Mayo* framework. Indeed, § 101 is silent on the majority of issues central to the *Alice/Mayo* framework, such as whether the claims “purport to improve the functioning of the computer itself,” “effect an improvement in any other technology or technical field,” or provide an “inventive

concept” that is not “well-understood, routine, [or] conventional.”⁷

Worse yet, the *Alice/Mayo* framework conflicts with the plain language of the statute. Specifically, the *Alice/Mayo* framework contains concepts that were *intentionally* excluded from § 101 of the 1952 Patent Act. For example, the legislative history of the 1952 Patent Act intended to remove inventive concept from the eligibility inquiry, yet the *Alice/Mayo* framework expressly includes it. *E.g.*, *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1351 (Fed. Cir. 2018) (Plager, J., concurring) (“A bigger puzzle regarding the ‘inventive concept’ concept: Those who are familiar with the history of the Patent Act, when in 1952 the law of patenting was given a major statutory overhaul, will be the most puzzled.”).

As a result, the judicial exceptions and the *Alice/Mayo* framework have become completely divorced from the text of § 101 itself. This has created a nonsensical body of caselaw designed to interpret “abstract ideas” in the *Alice/Mayo* framework, rendering things such as cameras, sensors, and graphical user interface tools as “abstract ideas” without any regard as to whether such items are *new and useful* under the law. This has led to widespread confusion, with lower courts grappling to apply a subjective test.

A. The Text of § 101 Provides Sufficient Limits for Eligibility

Section 101 imposes a “threshold test” for patent eligibility by defining the subject matter eligible for a patent. *Bilski v. Kappos*, 561 U.S. 593, 602 (2010). It

⁷ *Alice*, 573 U.S. at 221, 225 (internal quotations omitted).

specifies that a patent can be obtained for “*any new and useful* process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” § 101 (emphasis added). “Useful” simply means that the process, machine, etc. has some practical utility or purpose. *See Cross v. Iizuka*, 753 F.2d 1040, 1044 (Fed. Cir. 1985); *Grunenthal GMBH v. Alkem Lab’ys Ltd.*, 919 F.3d 1333, 1345 (Fed. Cir. 2019). The legislative history confirms what is apparent from the text of § 101 itself, namely, that Congress intended statutory subject matter to reach “anything under the sun *that is made by man*,” so long as all of the other requirements for patentability are met, such as novelty, enablement, written description and non-obviousness. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 & n.6 (1980) (emphasis added) (quoting legislative history).

This Court has long held that the text of § 101 inherently excludes from patent protection certain subject matter. *See, e.g., Alice*, 573 U.S. at 217; *Chakrabarty*, 447 U.S. at 309; *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972). For instance, Einstein could not patent that $E=mc^2$; nor could Newton have patented the law of gravity. Such mathematical formulas are by definition not “new and useful” (i.e., they are not practical applications), nor are they made by man, as they are something that has always been in existence.

Similarly, the Court has prohibited from patenting minerals/plants discovered in the earth. But such subject matter is not eligible because it is not “new and useful”, nor is it made by man. Rather, this subject matter has pre-existed on our earth due to no role of mankind, and are “manifestations of . . . nature,

free to all men and reserved exclusively to none.” *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948).

And in its purest form, the law would not permit ideas in the human mind, i.e., an idea of itself that is untethered to any application. *Gottschalk*, 409 U.S. at 67 (citing *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507 (1874)). Ideas are not patentable because they have no practical application and therefore are not “new and useful” under § 101.

In short, the express wording of the statute, as confirmed by the legislative history, already excludes the grant of a patent on subject matter that constitutes “the basic tools of scientific and technological work.” *Gottschalk*, 409 U.S. at 67.

Perhaps concerned with permitting patents on subject matter directed to these fundamental building blocks of scientific and technological work, the Court has gone beyond the examples of excluded subject matter set forth above and has proclaimed that there are broad categories of subject matter (i.e., all laws of nature, natural phenomena, and abstract ideas) that are not patent eligible. *Alice*, 573 U.S. at 217. These judicially created categorical exceptions are not written into the statute, and regardless, are not needed because the “new and useful” language of the statute already addresses this concern. Moreover, this Court has never considered whether these broad categorical exclusions to patent eligibility are consistent with the statute. Specifically, although the 1952 Patent Act’s eligibility rule was intended to broadly permit all new and useful inventions that were made by man, one of the first cases to consider patent eligibility after the

Act was passed, *Gottschalk*, involved no analysis of the text of the statute or its legislative history to ascertain whether the statute preserved these broad judicial exceptions. *Gottschalk*, 409 U.S. at 67. The Court merely presumed the applicability of these judicial exceptions. *Id.* at 67. But there was no need to import these exceptions because the “new and useful” language of the statute already excludes the building blocks of human ingenuity.

B. The Judicially Created Exceptions and the *Alice/Mayo* Framework Appear Nowhere in the Statutory Text of § 101

The fundamental flaw with the three broad categorical judicial exceptions to patent eligibility (abstract ideas, laws of nature, and natural phenomena) is that they exclude subject matter as ineligible, regardless of the language of the § 101 statute. The *Alice/Mayo* framework compounds the problem by creating additional limitations on patent eligibility that are also not set forth in the statute. The effect is that the judge-made exceptions to eligibility have become completely untethered from the statute and swallowed the rule of eligibility itself.

Alice/Mayo establish a framework consisting of two steps, neither of which is found in the statutory text of § 101. The first step addresses whether the claims are “directed to” one of the judge-made categories: laws of nature, natural phenomena, or abstract ideas. *Alice*, 573 U.S. at 217. The Federal Circuit has stated that to determine what a patent is “directed to,” courts must in turn, determine whether the “focus” of the claims is on one of the three ineligible

concepts. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (internal quotations omitted). Predictably, determining the “focus” of the claims is subjective and unpredictable. *See Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1262 (Fed. Cir. 2017) (Hughes, J., dissenting) (disagreeing with majority over whether characterizing the claims as directed to “categorical data storage” views the invention “at an unduly ‘high level of abstraction”” (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016))).

The “focus” of the claims then morphed into something that considers the prior art. Specifically, the Federal Circuit has explained that step 1 of the *Alice/Mayo* framework involves considering the “focus of the claimed advance over the prior art.” (Pet. App. 26a (internal quotations omitted)). This necessarily requires courts to consider substantive requirements for patentability under §§ 102-103, and determine whether the claims recite some “advance” over the prior art. To that end, the Federal Circuit has explained that claims that do not purport to “improve the functioning of the computer itself,” *Enfish*, 822 F.3d at 1335 (internal quotations omitted), or “effect an improvement in any other technology or technical field,” are not patentable under § 101. *Alice*, 573 U.S. at 225. In addition to being nowhere in § 101, what constitutes an improvement of a technological process is unworkable, and this case exemplifies that perfectly.

Specifically, in this case, the Federal Circuit stated that it must consider “the focus of the claimed advance over the prior art” at the first step of the *Alice/Mayo* framework. (Pet. App. 26a (internal

quotations omitted)). It held that the focus of the claims is not a technological improvement: “[t]he focus is not on improving computers, as mere automation of manual processes using generic computers does not constitute such an improvement.” (Pet. App. 26a-27a (internal quotations omitted)). And yet, five years earlier, a different panel of the Federal Circuit found that the *same claims* of the ’411/’996 patents specifically improve the way computers operate because they solve a technical problem with the prior market grid-style interfaces with a technical solution. *IBG*, 757 F. App’x at 1007.

The second step of the *Alice/Mayo* framework is also not found in § 101. In this step, courts search for an “inventive concept.” This has been described as a “baffling standard that Congress removed when it amended the Patent Act in 1952.” *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333, 1371-73 (O’Malley, J., dissenting from denial of rehearing en banc) (discussing history and purpose of the 1952 Act). Judge Rich put it best: “[n]owhere in the entire act is there any reference to a requirement of ‘invention’ and the drafters did this deliberately in an effort to free the law and lawyers from bondage to that old and meaningless term.”⁸ And yet, the Court has instructed federal courts to read into § 101 the “inventive concept” requirement, which inevitably boils down to a court’s gut assessment of whether a claimed invention *feels* inventive—the precise subjective inquiry that Congress rejected, for good reason.

⁸ Giles S. Rich, *Principles of Patentability*, 14 FED. CIRCUIT B.J. 135, 145 (2005).

Moreover, in searching for an “inventive concept,” courts are supposed to determine if the claim limitations (both individually and as an ordered combination) are “well-understood, routine, [or] conventional.” *Alice*, 573 U.S. at 225 (internal quotations omitted). However, issues about what was “conventional” or “well-understood” at the time of the invention are, again, questions reserved under § 103 for obviousness or § 102 for lack of novelty. *See generally* MPEP § 2173.04 (9th ed. Rev. 1, Nov. 2024) (PTO guidance on “[u]ndue” claim breadth). The text of § 101 is clear, and leaves no room for judicial improvisation. Worse, the *Alice/Mayo* framework has resulted in a patent eligibility standard that is completely subjective and unworkable, where even Federal Circuit judges cannot predict whether a given claim is eligible.⁹

C. Courts Cannot Engraft Their Own Exceptions onto the Statutory Text of § 101

This Court has consistently cautioned that courts “should not read into the patent laws limitations and conditions which the legislature has not expressed.” *Chakrabarty*, 447 U.S. at 308 (internal quotations omitted). And this concern has recently carried over to other areas of law. For example, in *Henry Schein, Inc. v. Archer & White Sales, Inc.*, this Court

⁹ Steve Brachmann & Eileen McDermott, *First Senate Hearing on 101 Underscores That ‘There’s More Work to Be Done,’* IP Watchdog (June 4, 2019, 10:23 PM), <https://ipwatchdog.com/2019/06/04/first-senate-hearing-on-101-underscores-that-theres-more-work-to-be-done/id=110003/> (“I’ve spent 22 years on the Federal Circuit and nine years since dealing with patent cases and I cannot predict in a given case whether eligibility will be found or not found,” Judge Michel said.”).

considered the Federal Arbitration Act (FAA), and whether a judicially created “wholly groundless” exception is consistent with that Act. 586 U.S. 63, 70 (2019).

Under the FAA, parties can agree to have an arbitrator, rather than a court, resolve disputes arising out of a contract, including the threshold arbitrability question—that is, whether their arbitration agreement applies to a particular dispute. *Id.* at 67-68. Even when a contract delegates the arbitrability question to an arbitrator, some federal courts were nonetheless short-circuiting the process and deciding the arbitrability questions themselves, if, under the contract, the argument for arbitration was “wholly groundless.” *Id.* at 68.

In a unanimous decision, this Court found that the “wholly groundless” exception was not consistent with the statutory text of the FAA. *Id.* It held “that the Act contains no ‘wholly groundless’ exception, and we may not engraft our own exceptions onto the statutory text.” *Id.* at 70 (citation omitted).

The same rationale applies here. No court should be permitted to engraft onto the statutory text of § 101 the broad judicially created exceptions embodied in the *Alice/Mayo* framework that appear nowhere in the text. Indeed, the Court’s concern that the basic building blocks of human ingenuity could be patented (which is already prohibited by the statute’s text) does not give the “the Judiciary *carte blanche* to impose other limitations that are inconsistent with the text and the statute’s purpose and design.” *Bilski*, 561 U.S. at 603.

D. The '411/996 Patent Claims Are Eligible Under a Plain Reading of § 101

Under a plain reading of § 101, the claimed inventions of the '411/996 patents are patent eligible because they are “new and useful.” 35 U.S.C. § 101.¹⁰ The inventions are “new and useful” because, unlike the conventional market grids, the user can trade more accurately because the price levels do not move every time there is a change in the market. *See supra* Statement of the Case, Section I. Indeed, a prior panel of the Federal Circuit found that these exact patent claims solved a technical problem with a technical solution. *IBG*, 757 F. App'x at 1007 (finding the patents “solve[d]” the problem of the user missing his price by “displaying market depth on a vertical or horizontal plane, which fluctuates logically up or down, left or right across the plane as the market fluctuates” (internal quotations omitted)).

E. Consideration of this Foundational Issue Is Urgently Needed

The Court's review is necessary to resolve what Paul Michel, former Federal Circuit Chief Judge, has called the “chaos” of the patent-eligibility jurisprudence that is “devastating American business, including high tech . . . industries.”¹¹ Numerous Federal Circuit judges have echoed Judge Michel's concerns.

¹⁰ The '411/996 patents are eligible under the *Alice/Mayo* framework as well.

¹¹ Steve Brachmann, *Judge Paul Michel Presents Supplemental Testimony on PTAB Reforms to the House IP Subcommittee*, IP Watchdog (Sept. 19, 2017, 11:15 AM), <https://ipwatchdog.com/2017/09/19/judge-paul-michel-presents-supplemental-testimony-ptab-reforms/id=88047/> (internal quotations omitted).

Judge Linn has observed that “the abstract idea exception is almost impossible to apply consistently and coherently” and that the *Alice* standard “is indeterminate and often leads to arbitrary results.” *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J., dissenting in part and concurring in part). Chief Judge Moore concluded that “[a]s the nation’s lone patent court, we are at a loss as to how to uniformly apply § 101.” *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 977 F.3d 1379, 1382 (Fed. Cir. 2020) (Moore, J., concurring). Judge Lourie determined that “the law needs clarification by higher authority” than the Federal Circuit. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 890 F.3d 1354, 1360 (Fed. Cir. 2018) (Lourie, J., concurring in the denial of rehearing en banc); *see also Berkheimer v. HP Inc.*, 890 F.3d 1369, 1376 (Fed. Cir. 2018) (Lourie, J., concurring in the denial of rehearing en banc) (“Resolution of patent-eligibility issues requires higher intervention . . .”).

The panel decision below illustrates this point. It found that the claims of the ’411/’996 patents do not recite an improvement to a technological process. (Pet. App. 26a-27a). But five years earlier, a different panel of the Federal Circuit found that the *same claims* of the ’411/’996 patents recite a specific improvement to the way computers operate because they solve a technical problem with a technical solution. *IBG*, 757 F. App’x at 1007. The Federal Circuit’s confusion “despite extensive efforts to gain clarity with the support of diverse litigators specializing in patent law and related litigation” is “evidence of the

vacuity of the *Alice* standard”¹² and the “abstract idea” category itself.

The PTO has likewise observed that applying the *Alice/Mayo* framework “in a consistent manner has proven to be difficult, and has caused uncertainty in this area of the law.” 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019). Basically nobody, it concluded, can “reliably and predictably determine what subject matter is patent-eligible.”¹³ “The *Alice* Court alleged that the PTO and courts were to tread carefully so as not to ‘swallow all of patent law’ with the § 101 prohibitions against patenting of abstract ideas . . . but this is exactly what is happening.”¹⁴

All this has left U.S. businesses at a severe disadvantage. This year, the Congressional Research Service explained that “[i]nnovation in emerging technology areas may face unique challenges because of the restricted scope of patent-eligible subject matter.”¹⁵ Leading scholars question “whether the U.S. is surrendering its long-held position as the world leader in promoting and securing new technological

¹² Richard Gruner, *Lost in Patent Wonderland with Alice: Finding the Way Out*, 72 SYRACUSE L. REV. 1053, 1074 (2022).

¹³ *Id.*

¹⁴ Kevin Madigan & Adam Mossoff, *Turning Gold into Lead: How Patent Eligibility Doctrine Is Undermining U.S. Leadership in Innovation*, 24 GEO. MASON L. REV. 939, 952 (2017).

¹⁵ CONG. RSCH. SERV., PATENT-ELIGIBLE SUBJECT MATTER REFORM: AN OVERVIEW (2024), <https://crsreports.congress.gov/product/pdf/IF/IF12563>.

innovation.”¹⁶ They warn that, absent intervention, the U.S. will be overtaken by other countries “as the forerunners of innovation, especially in the research-intensive sectors of the innovation economy.”¹⁷

III. THIS COURT’S SUPERVISORY AUTHORITY IS NEEDED TO CORRECT THE FEDERAL CIRCUIT’S IMPROPER (1) APPLICATION OF RULE 56 TO PATENT CASES, AND (2) PRACTICE OF DECIDING ISSUES THAT WERE NEVER RAISED ON APPEAL

A. The Federal Circuit Routinely (and Wrongly) Affirms Ineligibility at Summary Judgment Despite Substantial Evidence of Disputed Facts

Patent eligibility under 35 U.S.C. § 101 involves factual issues in connection with the *Alice/Mayo* framework. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018). For instance, Step 2 often involves assessing whether the elements of the claim are well-understood, routine, or conventional in the field. *Berkheimer*, 881 F.3d at 1368. It is improper to decide such factual questions at summary judgment.

The Federal Rules provide that “[t]he court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact.” Fed. R. Civ. P. 56(a). Courts must view the facts with “all justifiable inferences” drawn in favor of the

¹⁶ Madigan & Mossoff, *supra* note 19, at 941.

¹⁷ *Id.*

nonmoving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986).

The Federal Circuit’s decision below was flawed because it ignored materially disputed facts at the summary judgment stage. (Pet. App. 27a). Specifically, the Federal Circuit ignored over 800 pages of evidence directed to step two of *Alice*. (CAFC App. 66492-67335). This was a “mass of evidence, including expert testimony, that shows the claims were *not* well-understood, routine and conventional,” and which prevented “summary judgment.” (Blue Br. at 47–48). Without addressing this evidence, the court found, in a single paragraph, that the patents failed step two of *Alice*. (Pet. App. 27a). This was improper.

Despite well-established standards governing summary judgment, the Federal Circuit has repeatedly ignored them in the context of patent eligibility. *Compare* Principal Br. of Pl.-Appellant at 66–67, *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 967 F.3d 1285 (Fed. Cir. 2020) (No. 2018-1763), 2018 WL 3304247, at *66–67 (“Nowhere in its step two opinion does the court address any of th[e] underlying evidence, which, at a minimum, raises disputed facts”), and *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 967 F.3d 1285, 1318–19 (Fed. Cir. 2020) (Moore, J., dissenting) (“The majority offers no explanation for why this patentee is not entitled to step two consideration, especially at this, the summary judgment stage.”), *with id.* at 1299 (majority finding “no dispute of any material fact”); *compare* Principal Br. of Pl.-Appellant Realtime Adaptive Streaming LLC at 56–57, *Realtime Adaptive Streaming LLC v. Sling TV, L.L.C.*, 2023 WL 3373583 (Fed. Cir. May 11, 2023) (No. 2021-2268), 2022 WL 1617680, at *56–57 (“The

district court was not empowered to weigh disputed evidence on summary judgment . . .”), *with Realtime Adaptive Streaming LLC v. Sling TV, L.L.C.*, No. 2021-2268, 2023 WL 3373583, at *1 (Fed. Cir. May 11, 2023) (summarily affirming under Rule 36); *see also* Pet. for Writ of Cert. at 19–20, *Worlds Inc. v. Activision Blizzard Inc.*, 143 S. Ct. 110 (2022) (No. 21-1554), 2022 WL 2119487, at *19–20 (“[D]istrict courts regularly and improperly find patents ineligible at the summary judgment stage . . .”); Pet. for Writ of Cert. at i, *Island Intellectual Property LLC v. TD Ameritrade, Inc.*, No. 24-461 (U.S. 2024), 2024 WL 4580013 (noting “a dangerous trend in patent cases whereby district courts grant summary judgment while ignoring factual disputes . . .”).

This Court should end this approach. This is to ensure that the parties are afforded “a full trial where there is a bona fide dispute of facts between the[m].” *Devex Corp. v. Houdaille Indus., Inc.*, 382 F.2d 17, 21 (7th Cir. 1967) (internal quotations omitted). On summary judgment, a court cannot make credibility determinations, weigh evidence, or decide which inferences to draw from the facts. *Anderson*, 477 U.S. at 255. These are jobs for a factfinder. *Id.*

A plaintiff seeking damages is entitled to a trial on all factual issues. *See Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 504 (1959); *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 473 n.8 (1962). And when a patent owner seeks damages for infringement, the patent owner is entitled to a trial on the factual issues underlying validity. *In re Lockwood*, 50 F.3d 966, 976 (Fed. Cir.), *vacated sub nom. Am. Airlines, Inc. v. Lockwood*, 515 U.S. 1182 (1995). This Court should

grant the Petition in order to afford these protections here.

B. The Federal Circuit Has Routinely (and Wrongly) Decided Issues that Were Never Argued or Briefed by the Parties on Appeal

Both this Court and the Federal Circuit have declared it improper for appellate courts to decide issues that neither party raised on appeal and that the lower court never passed on below. *Singleton v. Wulff*, 428 U.S. 106, 120 (1976); *Pat. Rts. Prot. Grp., LLC v. Video Gaming Techs., Inc.*, 603 F.3d 1364, 1368 (Fed. Cir. 2010); *Philip Morris Prods. S.A. v. Int’l Trade Comm’n*, 63 F.4th 1328, 1348 (Fed. Cir. 2023).

Here, after ruling in TT’s favor that TT could obtain damages based on foreign conduct for infringement under 35 U.S.C. § 271(a), the Federal Circuit raised and decided the issue of causation (i.e., whether there was a “casual connection” between infringement under § 271(a) and the “foreign conduct for which proposal seeks royalty damages.” (Pet. App. 52a). This issue was never argued by the parties or decided by the district court below. (CAFC App. 18-20). By deciding it for the first time on appeal, the Federal Circuit denied TT’s due process rights to be heard.

The problem of appellate courts making rulings on issues not before them is widespread. *See* Letter from the American Academy of Appellate Lawyers to Hon. Michael Chagares, Chair Federal Advisory Committee on Appellate Rules (April 26, 2019), *available at*

https://www.uscourts.gov/sites/default/files/october_2019_agenda_book_-_final_0.pdf (stating that the “vast majority of members . . . indicated they have received decisions based on issues not presented in the briefs,” and “the opportunity to be heard before decisions are made is fundamental to the American adversary system of justice and due process of law”); *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 966 F.3d 1347, 1365-66 (Fed. Cir. 2020) (O’Malley, J., dissenting) (noting “growing belief among appellate lawyers that Courts of Appeals have shown an increasing tendency to decide questions on grounds that were neither argued before the district court nor briefed on appeal”); *CardioNet, LLC v. InfoBionic, Inc.*, 955 F.3d 1358, 1374 (Fed. Cir. 2020) (Dyk, J., dissenting in part “because the majority addresses issues never argued by the parties”); *Honeywell Int’l Inc. v. 3G Licensing, S.A.*, No. 2023-1354, 2025 WL 16397, at *8 (Fed. Cir. Jan. 2, 2025) (Stoll, J., dissenting because majority was improperly “making arguments for the parties that they did not make and then deciding those arguments”).

Something “must be done” in order to “mitigate the negative consequences associated with sua sponte decisions.” Ronald J. Offenkrantz & Aaron S. Lichter, *Sua Sponte Actions in the Appellate Courts: The "Gorilla Rule" Revisited*, 17 J. APP. PRAC. & PROCESS 113, 134 (2016).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

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Respectfully submitted,

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