

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

BROADBAND ITV, INC.,
Plaintiff – Appellant

v.

**HAWAIIAN TELCOM, INC., OCEANIC TIME
WARNER CABLE, LLC, TIME WARNER CABLE, INC.,**
Defendants-Appellees

2016-1082, -1083

Appeals from United States District Court for the District of Hawaii in Nos. 1:14-
cv-00169-ACK-RLP and 1:15-cv-00131-ACK-RLP.

AMICUS BRIEF BY TRANXITION, INC.

Arthur S. Beeman
arthur.beeman@arentfox.com
Joel T. Muchmore
joel.muchmore@arentfox.com
Arent Fox LLP
55 2nd Street, 21th Floor
San Francisco, CA 94105
Telephone: (415) 757-5500

Attorneys for Amicus Curiae Tranxition, Inc.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Broadband iTV, Inc. v. Hawaiian Telcom, Inc., Oceanic
Time Warner Cable, LLC, Time
Warner Cable, Inc.

Nos. 2016-1082, -1083

CERTIFICATE OF INTEREST

Counsel amicus

Tranxition, Inc. certifies the following (use “None” if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is:
Tranxition, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: None

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:
None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Arthur S. Beeman and Joel T. Muchmore, Arent Fox LLP

January 28, 2016

Date

/s/ Arthur S. Beeman

Signature of counsel

Arthur S. Beeman

Printed name of counsel

Please Note: All questions must be answered
cc: All Counsel of Record (via E-mail)

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I. STATEMENT OF INTEREST IN THE CASE

Amicus curiae Tranxition, Inc. (“Amicus” or “Tranxition”) respectfully submits the instant brief in support of Appellant Broadband iTV, Inc. (“Broadband iTV”), requesting that this Court provide further guidance regarding the proper scope and application of *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), both generally and specifically with regard to software patents.

Pursuant to Federal Rule of Appellate Procedure 29(c)(4), Tranxition states that it is a software company that has developed PC migration software and persona tools that cater to businesses. Tranxition was founded to address the need of managing user personas, which are collections of personalizations within a computer system. Tranxition began with an idea: If people could manage these personas, they would have all the things they need across all computer systems. Since 1998, Tranxition has been producing award-winning software products which specifically address Windows user migration. Tranxition has a strong patent portfolio and continues to patent new inventions. Tranxition is familiar with the issues raised in this appeal and, indeed, Tranxition is the appellant in a pending, consolidated appeal before this Court in which Tranxition is seeking reversal of a district court’s invalidity ruling of two of Tranxition’s patents under *Alice*. Tranxition, therefore, has a significant interest in the proper application and scope of patent laws.

Broadband iTV's appeal raises critical issues affecting patent-eligibility of computer-implemented inventions under 35 U.S.C. § 101. Federal Circuit guidance is needed because district courts are misapplying *Alice* and sidestepping the rigorous factual analysis that has historically been required, and should still be required, prior to patent invalidation under Section 101. It is Tranxition's position that an essential part of this Court's proper guidance should include reversing the district court's decisions below.

II. STATEMENT OF AUTHORITY TO FILE

This brief is timely filed under Federal Rule of Appellate Procedure 29(e). Appellant Broadband iTV and Appellee Hawaiian Telcom, Inc., consent to this filing. Appellees Oceanic Time Warner Cable, LLC, and Time Warner Cable, Inc., do not consent to this filing. Pursuant to the applicable rules, Tranxition filed its motion for leave to file an amicus brief concurrently with the filing of this brief. In these moving papers, Tranxition states its interest in filing this brief, the reason why an amicus brief is desirable and why the matters asserted are relevant to the disposition of the case. Accordingly, this filing is proper pursuant to Federal Rule of Appellate Procedure 29(a).

III. STATEMENT PURSUANT TO RULE 29(C)(5)

Pursuant to Federal Rule of Appellate Procedure 29(c)(5), no counsel for a party to this matter authored this brief in whole or in part, and no counsel or party

to this appeal made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amicus or its counsel made a monetary contribution to fund the preparation or submission of this brief.

IV. SUMMARY OF ARGUMENT

Consistent with Congress' intent that Section 101 be construed liberally to find patentability, the Supreme Court has expressly stated that the court-created exceptions to Section 101 patentability should be narrowly-applied. Despite this clear admonition, district courts have increasingly invalidated patents based on a misapplication of *Alice* that demonstrably lacks technical and legal rigor. It appears that software patents are particularly vulnerable to this improper utilization of both *Alice* and this Court's subsequent interpretative decisions construing and applying *Alice*.

The District Court's errors in the *Broadband iTV* decisions are a paradigmatic and telling manifestation of certain of the manners in which district courts are misapplying the two-step *Alice* test in order to invalidate patents, creating something of a *fait accompli* at the outset of the filing of an *Alice* motion. Most notable is the alarming trend of certain district court Section 101 *Alice* invalidations that purport to resolve questions of law but that, upon closer scrutiny, only nominally invoke Section 101 to improperly handle the work of Sections 102, 103 and 112 of the Patent Act. The problem in so-doing is that district courts are

utilizing the summary legal analysis permissible under Section 101 when, in fact, they should be undertaking the factually-intensive analysis required by Sections 102, 103 and 112. This sleight of hand has resulted in what is becoming a systematic invalidation of patents on a far lesser “legal” showing rather than the rigorous factual showing mandated by the Patent Act.

Adding to this disarray, district courts are ignoring the well-settled presumption of the validity of patents and are inconsistently applying the long-standing “clear and convincing” factual burden to invalidity analysis. Absent a change from Congress or the Supreme Court, applying anything less than the “clear and convincing” standard contravenes settled law.

Finally, compounding the above-referenced trends, district courts are over-relying on – and misapplying – the outdated and discredited “pencil-and-paper” analogy as a proxy for the two-step *Alice* test.

Clarification of the Section 101 standards – both substantive and procedural – are needed to prevent further deviation from the intent of Congress and from Supreme Court precedent. Without further clarification from this Court regarding the proper application of *Alice* to software patents, the damage has been, and could continue to be, catastrophic to the software industry. It is estimated that, as of 2015, approximately 240,000 patents relate to computer-implemented inventions; at an estimated invalidation rate of 82.9%, approximately 199,000 of those patents

appear vulnerable to Section 101 invalidation in the current climate. *See* Tran, Jasper L., Software Patents: A One-Year Review of *Alice v. CLS Bank*, 97 Journal Of The Patent and Trademark Office Society 532, 534, 542 (2015).¹ Even accounting for the need to weed out weak patents, the economic damage caused by judicial misapplication of *Alice* cannot easily be overstated. As district courts rely upon the poorly-adjudicated decisions of other district courts, improper case law is entrenching these unsupportable and improper decisions, further necessitating Federal Circuit guidance.

Lost in the zealous desire to rein in poorly-conceived patents is the very real toll being exacted upon patentee-inventors – both those whose patents have been unjustifiably invalidated and those who continue to hold patents. There can be little question that the uncertainty caused by the rising tide of invalidations under Section 101 has undermined the value of all patents across entire industries.

For these reasons and more, this Court should reverse the district court decisions in *Broadband iTV, Inc. v. Hawaiian Telcom, Inc.*, --- F. Supp. 3d ----, No. 14-00169 ACK-RLP, 2015 WL 5769221 (D. Haw. Sept. 29, 2015), and *Broadband iTV, Inc. v. Oceanic Time Warner Cable, LLC*, --- F. Supp. 3d ----, No.

¹ According to the author:

“As of June 19, 2015, *Alice* was cited in 198 PTAB decisions, 63 district court decisions, and 11 Federal Circuit opinions, in a total of 272 court cases, to invalidate patents under § 101—totaling 286 invalidations out of 345 patents or patent applications which appeared before the courts, accounting for an average invalidation rate of 82.9%.”

Id. at 534.

15-00131 ACK-RLP, 2015 WL 5768943 (D. Haw. Sept. 29, 2015) (collectively, the “*Broadband iTV* Decisions”), and clarify Section 101 jurisprudence consistent with Congressional intent and the narrow holding in *Alice*.

V. ARGUMENT

FEDERAL CIRCUIT GUIDANCE IS NEEDED BECAUSE DISTRICT COURTS ARE MISUSING ALICE IN ORDER TO INVALIDATE PATENTS WHILE SIDESTEPPING THE RIGOROUS FACTUAL ANALYSIS THAT HAS HISTORICALLY BEEN REQUIRED.

A. EXCEPTIONS TO SECTION 101 PATENTABILITY ARE INTENDED TO BE NARROWLY APPLIED.

To re-orient the current rash of misapplication of the *Alice* test, *amicus curiae* Tranxition respectfully suggests that courts should return to the text of Section 101 and the long-standing, express intent of Congress and the Supreme Court. The broad ambit of 35 U.S.C. § 101 is apparent on its face: “[w]hoever 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 therefore, subject to the conditions and requirements of this title.” In fact, “[C]ongress intended statutory subject matter to ‘include anything under the sun that is made by man.’” *Diamond v. Diehr*, 450 U.S. 175, 182 (1981) (citing S. Rep. No.1979, 82d Cong., 2d Sess., 5 (1952); H.R. Rep. No.1923, 82d Cong., 2d Sess., 6 (1952), U.S. Code Cong. & Admin. News 1952, pp. 2394, 2399). “Congress took this permissive approach to patent eligibility to ensure that

‘ingenuity should receive a liberal encouragement.’” *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (internal quotation marks omitted).

Nonetheless, only by judicial creation, there is “an important implicit patentability exception: Laws of nature, natural phenomenon and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (quoting *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). Though these are helpful and important limitations, the Supreme Court has cautioned that “too broad an interpretation of this exclusionary principle could eviscerate patent law” because “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas are not patentable.” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012). Thus, the Supreme Court has stated that, “while an abstract idea, law of nature, or mathematical formula [may] not be patented, ‘an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.’” *Bilski*, 561 U.S. at 611 (quoting *Diehr*, 450 U.S. at 187)(emphasis in original).

Somewhat presciently, the Supreme Court in *Alice* warned courts to “tread carefully in construing this exclusionary principle lest it swallow all of patent law.” *Alice*, 134 S. Ct. at 2354 (citing *Mayo*, 732 S. Ct. at 1293-1294). Tranxition respectfully submits that guidance is needed in order to correct improper

application of Section 101 and to ensure lower court adherence to this precise warning.

Properly applied, the judicial exception excluding abstract ideas from eligibility should be reserved for *only those instances* that involve unmistakably patent-*ineligible* concepts because they were directed to either fundamental concepts or longstanding, human-performed activity. *See, e.g., Gametek LLC v. Zynga, Inc.*, No. CV-13-2546 RS, 2014 WL 1665090, at *4 (N.D. Cal. Apr. 25, 2014), *aff'd*, 597 F. App'x 644 (Fed. Cir. 2015) ; *CertusView Techs., LLC v. S&N Locating Servs., LLC*, --- F. Supp. 3d ----, No. 2:13cv346, 2015 WL 269427, at *16 (E.D. Va. Jan. 21, 2015); *Open Text S.A. v. Box, Inc.*, 78 F. Supp. 3d 1043, 1046 (N.D. Cal. 2015); *Bascom Research, LLC v. LinkedIn, Inc.*, 77 F. Supp. 3d 940, 949 (N.D. Cal. 2015); *Morales v. Square, Inc.*, 75 F. Supp. 3d 716, 724 (W.D. Tex. 2014).

Accordingly, Section 101 should principally act as merely a “coarse eligibility filter,” *Research Corp. Technologies, Inc. v. Microsoft Corp.*, 627 F.3d 3d 859, 869 (Fed. Cir. 2010), allowing “the statutory rigors of novelty, unobviousness, enablement, specificity, etc.” to test patentability, *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1326 (Fed. Cir. 2013) (Newman, J., concurring-in-part and dissenting-in-part).

In fact, despite the attention the decision has garnered, *Alice*'s limited holding does not deviate from these long-standing principles. The Supreme Court's addition to patent law in the *Alice* holding has been construed by certain courts as little more than: "[M]ere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." See *Eclipse IP LLC v. McKinley Equip. Corp.*, No. SACV 14-154-GW AJWX, 2014 WL 4407592, at *3 (C.D. Cal. Sept. 4, 2014), appeal dismissed (Oct. 22, 2014), appeal dismissed (Oct. 23, 2014) (quoting *Alice*, 134 S. Ct. at 2358).

That *Alice* is a circumscribed holding should be no surprise. Decades ago, the Supreme Court recognized that claims directed at software for improving the use of a computer – *i.e.*, applications of abstract ideas – are patent eligible and, as recently confirmed in *Alice*, remain so today. In *Diamond v. Diehr*, the Supreme Court found that claims directed to using a computer to automate the process of curing rubber were patent eligible. 450 U.S. 175 (1980). The Supreme Court determined that the claim at issue did not preempt the use of “a well-known mathematical equation” but, instead, foreclosed use of that equation only in conjunction with other steps, including “installing rubber in a press, closing the mold, constantly determining the temperature of the mold, constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time.” *Id.* at 187. These steps in

the claim “transform[ed] or reduc[ed] an article to a different state or thing,” making the claim the kind of invention deserving of protection. *Id.* at 192.

Since *Diehr*, the Federal Circuit has had occasion to clarify the situations in which software claims are patent eligible. In 2010, the Federal Circuit in *Research Corp.*, held that the claimed invention “presents functional and palpable applications in the field of computer technology” even though the claims involved the manipulation of computer data structures (pixels) and the output of a modified computer data structure (the halftoned image), and depended upon the computer components required to perform it. 627 F.3d at 868.

Software patentability resurfaced when the Supreme Court reexamined *Diehr* in *Alice*, confirming the Court’s prior holding and explaining that “the claims in *Diehr* were patent-eligible because they improved an existing technological process.” 134 S. Ct. at 2358.

More recently, in *DDR Holdings, LLC v. Hotels.com, L.P.*, the Federal Circuit, closely adhering to *Alice*’s limited holding, upheld the patent eligibility of claims directed to a computer solution “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” 773 F.3d 1245, 1257 (Fed. Cir. 2014). This decision confirms that an inventive concept can be established by something that targets and improves

existing technological processes for a specific problem in a variety of fields of invention.

The Supreme Court, through *Alice* and other precedent such as *Bilski* and *Mayo*, has recognized that, consistent with Congressional intent, abstract ideas are but a *narrow exception* to broad patent eligibility. Nonetheless, since *Alice I* district courts have been relying upon Section 101 to *rampantly* invalidate patents – particularly software patents. Restraint through clarification by this Court is thus imperative to ensure that district courts apply *Alice* in accord with its clearly aligned precedents.

B. THE DISTRICT COURT’S ERRORS IN THE *BROADBAND iTV* DECISIONS ARE EMBLEMATIC OF HOW DISTRICT COURTS ARE MISAPPLYING THE TWO-STEP *ALICE* TEST AND THE NEED FOR FEDERAL CIRCUIT GUIDANCE.

In substantively identical decisions, at least as to the Section 101 analysis, the District Court (District of Hawaii) in the *Broadband iTV* Decisions, determined that claims in U.S. Patent No. 7,631,336 (the “336 Patent”) were invalid as “abstract” pursuant to Section 101. The *Broadband iTV* Decisions perfectly represent the misapplied analysis being made in district courts across the country in the wake of the *Alice* decision: (1) using Section 101 for analyses it is not equipped to handle; (2) disregarding the Congressionally mandated presumption of validity; and (3) applying the so-called pencil-and-paper analogy as a proxy for determining an abstract idea.

The District Court Applied a Section 103 Analysis Under the Guise of Applying Section 101. The District Court found that the claims in the ‘336 patent purportedly lacked an inventive concept, reasoning: “These are broad terms *that would seem* to be ‘well-understood, routine, conventional activities previously known to the industry,’ particularly given that the claims provide them no more explicit definition.” *Hawaiian Telcom*, 2015 WL 5769221, at *11 (emphasis added); *Oceanic Time Warner Cable*, 2015 WL 5768943, at *12 (same). As discussed in greater detail below, by determining that an invention would seem “known to the industry,” without any supporting factual findings, the District Court substituted Section 101 analysis for Section 103 obviousness analysis, while sidestepping the requisite factual support for invalidating a patent pursuant to Section 103.

Presumption of Validity/Burden of Proof. The District Court in the *Broadband iTV* Decisions recognized the discord over the presumption of validity, yet, in the absence of Congressional or Supreme Court authority overruling the presumption, the District Court simply “assume[d] that such a presumption does not apply”:

Courts disagree regarding whether a presumption of eligibility should apply in Section 101 cases. A recent Federal Circuit *concurrency* stated that “no presumption of eligibility attends the section 101 inquiry.” [Citation omitted]. District courts have taken different approaches.

[Citations omitted]. Given the most recent available guidance from the Federal Circuit, the Court will *assume* that such a presumption does not apply.

Hawaiian Telcom, 2015 WL 5769221, at *3 (emphasis added); *Oceanic Time Warner Cable*, 2015 WL 5768943, at *3 (same).

Application of “Pen and Paper” Test. To confirm its finding that the ‘336 patent was directed to an abstract idea, the District Court also relied on determining “whether the steps of a patent ‘can be performed in the human mind, or by a human using a pen and paper.’” *Hawaiian Telcom*, 2015 WL 5769221, at *8; *Oceanic Time Warner Cable*, 2015 WL 5768943, at *9. But, as explained below, mental or manual performance is a poor substitute for the rigorous analysis required to invalidate a patent.

The District Court’s conclusion without any evidence, that a claim element constituted “well-understood, routine, conventional activities previously known to the industry” perpetuates the erosion of the presumption of validity and confuses the boundaries between the different sections of the Patent Act. Similarly, the District Court’s supplanting of the pencil-and-paper analogy for applying the actual *Alice*-test undermines the patent-eligibility landscape. Highlighting the need for clarification, myriad decisions resemble the *Broadband iTV* decisions by employing these same errors and demonstrating the same confusion regarding application of *Alice*-test. This rampant confusion highlights the urgency and

importance of this Court clarifying the standards for determining Section 101 patent-eligibility.

1. District Courts Are Increasingly Applying *Alice*'s Two-Step Section 101 Analysis In A Manner That Encroaches On Sections 102, 103 And 112 Of The Patent Act.

District courts are misusing Section 101 as a *de facto* challenge for other sections of the Patent Act, such as Sections 102, 103 and 112. The destructive consequence is that district courts are making factual determinations under the pretext of deciding a question of law, invalidating patents as abstract without an evidentiary record to support such judgment.

For example, on motions for judgment on the pleadings, other district courts have frequently invalidated patents on the basis that they claim a “well-known, conventional, and routine” activity. *See, e.g., Gametek LLC*, 2014 WL 1665090, at *5 (N.D. Cal. Apr. 25, 2014), (considering preemption, limitations, and well-understood, routine, and conventional activity and granting the motion to dismiss); *Essociate, Inc. v. Clickbooth.com, LLC*, No. SACV 13–01886–JVS, 2015 WL 1428919, at *6 (C.D. Cal. Feb. 11, 2015) (determining question of whether patent computerizes longstanding practice and is preemptive on motion for judgment on pleadings).

As with patent eligibility determinations under Section 101, “[d]eterminations of obviousness under Section 103 are questions of law, based on

underlying ‘factual determinations’” *Oceanic Time Warner Cable*, 2015 WL 5768943, at *4. While an inquiry as to what is “conventional” or “obvious” under Section 101 may be decided as a matter of law, a similar inquiry under Section 103 might result in factual issues precluding determination on summary judgment. That was precisely the case in one of the *Broadband iTV* Decisions.

On the issue of inventive concept, the District Court found that claim 1 of the ‘336 patent contained “broad terms that would seem to be ‘well-understood, routine, conventional activities previously known to the industry,’ particularly given that the claims provide them no more explicit definition.” *Oceanic Time Warner Cable*, 2015 WL 5768943, at *12 (citing the terms “‘enabling [] uploading’ of videos, (Claim 1(a)), [‘]converting [] content’ (Claim 1(b)), ‘listing [] title[s]’ (Claim 1(c)), ‘providing ... access to the [EPG [*sic*]’” (Claim 1(d)), and ‘enabling retrieval of the selected video content’ (Claim 1(e))”). *Id.*

However, on the obviousness issue of whether a prior art reference, or a combination of references, “disclosed uploading videos along with hierarchical metadata prior to the ‘336 Patent,” the District Court found an issue of fact precluded summary judgment. *Id.* at *20. Specifically, the District Court agreed with Broadband iTV’s argument that the prior art reference “disclosed a format for metadata, not a *method* for uploading metadata ‘along with’ videos.” *Id.* at *20.

Therefore, the burden to prove obviousness by clear and convincing evidence was not met. *Id.* at *21.

Nonetheless, the District Court determined that claim 1 was not obvious, but was nevertheless abstract because it “seem[ed] to be ‘well-understood, routine, conventional activities previously known to the industry.’” *See id.* at *12, 20-21. The two conclusions are, at a minimum, inconsistent, presenting all the more reason for requiring a finding of abstractness to be unequivocal or otherwise supported by clear and convincing evidence. The District Court should not be permitted to leverage Section 101 in order to invalidate a patent for what is, essentially, non-obviousness in all but name.

When it comes to determining obviousness, a member of this Court explained that more is required:

... “the mere recitation of the words ‘common sense’ without any support adds nothing to the obviousness equation. Thus, we have required that obviousness findings grounded in ‘common sense’ must contain explicit and clear reasoning providing some rational underpinning why common sense compels a finding of obviousness.” *As the Supreme Court emphasized, “it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does ... because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.”* [Citation omitted.] We may not find a patent

invalid for obviousness on the basis of “mere conclusory statements.”

I/P Engine, Inc. v. AOL Inc., 576 F. App'x 982, 998 (Fed. Cir. 2014) (Chen, J. dissenting) (emphasis added), *cert. denied*, 136 S. Ct. 54 (2015). Although the standards for Sections 101 and 103 share substantial similarities, district courts are sidestepping the rigorous factual demands of Section 103 by using the blank canvas created by *Alice* as currently applied to Section 101.

The analysis used to determine whether an innovation is an exception to Section 101 patentability is inadequate at handling the work of different statutory provisions – such as Section 103. The same hindsight bias that crept into Section 103 obviousness analysis – where the foresight of a person of ordinary skill is improperly being confused with the hindsight of the inventor's successful achievement – has similarly undermined Section 101 patent eligibility analysis. An undesirable, yet too common, result is the unfair mischaracterization of the inventor's identification of the problem solved by the invention for the state of the art. *See Scientific Plastic Prods., Inc. v. Biotage AB*, 766 F.3d 1355, 1362–63 (Fed. Cir. 2014) (“It is troubling that the majority and the Board rely on the inventors' disclosure of the problem *their inventions solve* as the primary basis for modifying the prior art. This is hindsight of the worst kind, ‘wherein that which only the invention taught is used against its teacher.’”) (Moore, J., dissenting) (citation omitted); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553

(Fed. Cir. 1983) (“To imbue one of ordinary skill in the art with knowledge of the invention in suit, when no prior art reference or references of record convey or suggest that knowledge, is to fall victim to the insidious effect of a hindsight syndrome wherein that which only the inventor taught is used against its teacher.”); *see also KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007) (noting the need to “be cautious of arguments reliant upon ex post reasoning”). When district courts use the inventor’s disclosure of the problem solved as evidence of longstanding, routine activity, they have “fall[en] victim to the insidious effect of a hindsight syndrome.” *W.L. Gore*, 721 F.2d at 1553.

Obviousness under Section 103 is not the only area of confusion: “it is less than clear how a § 101 inquiry that is focused through the lens of specificity can be harmonized with the roles given to other aspects of the patent law (such as enablement under § 112 and non-obviousness under § 103)” *YYZ, LLC v. Hewlett-Packard Co.*, --- F. Supp. 3d ----, No. CV 13-136-SLR, 2015 WL 5886176, at *6 (D. Del. Oct. 8, 2015). Courts have noted that the “written description requirement guards against claims that ‘merely recite a description of the problem to be solved while claiming all solutions to it and ... cover any compound later actually invented and determined to fall within the claim's functional boundaries.’” *Eclipse IP*, 2014 WL 4407592, at *4 (citations and internal quotation marks omitted) (“Every condition of patentability set forth in the

Patent Act acts to ensure that patents promote, rather than retard, the progress of science and useful arts.”)..

Indeed, this Court has discussed how Section 112 is capable of “weed[ing] out [patents] that may present a vague or indefinite disclosure of the invention” where Section 101 would not consider the claim abstract:

[T]his court notes that an invention which is not so manifestly abstract as to override the statutory language of section 101 may nonetheless lack sufficient concrete disclosure to warrant a patent. In section 112, the Patent Act provides powerful tools to weed out claims that may present a vague or indefinite disclosure of the invention.

Research Corp., 627 F.3d at 869; *see also* Lemley, Point of Novelty, 105 Nw. U.L.Rev. 1253, 1279 (2011) (“[T]here is good reason to worry about overbroad patent claims that lock up a wide swath of potential future applications. But the enablement and written description doctrines largely address that concern.”).

Indeed, members of this Court have called attention to the uncertainty over how and whether Section 101 should fulfill its gateway function. On the one hand, in *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 718 (Fed. Cir. 2014), Judge Mayer, concurring, stated that “[j]ust as a court must assure itself of its own jurisdiction before resolving the merits of a dispute, it must likewise first *assess* whether claimed subject matter is even eligible for patent protection before addressing questions of invalidity or infringement.”

On the other hand, in *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1335 (Fed. Cir. 2012), Judge Plager, concurring in part and dissenting in part, stated that “this court should exercise its inherent power to control the processes of litigation and insist that litigants, and trial courts, initially address patent invalidity issues in infringement suits in terms of the defenses provided in the statute: ‘conditions of patentability,’ specifically §§ 102 and 103, and in addition §§ 112 and 251, and not foray into the jurisprudential morass of § 101 *unless absolutely necessary*.”

(Emphasis added.) And, only a couple months later in *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012), Judge Plager, this time writing for the Court, noted that “courts could avoid the swamp of verbiage that is § 101 ... and insist that litigants initially address patent invalidity issues in terms of the conditions of patentability defenses as the statute provides, specifically §§ 102, 103, and 112.”

This Court should resolve the uncertainty by addressing Section 101 only when absolutely necessary and otherwise deferring to the latter sections of the Patent Act because Section 101 should merely be “a ‘coarse eligibility filter,’ not the final arbiter of patentability.” *Classen Immunotherapies, Inc. v. Biogen IDEC*, 659 F.3d 1057, 1066 (Fed. Cir. 2011) (quoting *Research Corp.*, 627 F.3d at 869).

In *Mayo*, announcing that “conventional and obvious” post-solution steps are insufficient to transform an ineligible law of nature, the Supreme Court

recognized “that, in evaluating the significance of additional steps, the § 101 patent-eligibility inquiry and, say, the § 102 novelty inquiry might sometimes overlap.” *See* 132 S. Ct. at 1304. However, the Court declined “to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101,” reasoning that “to shift the patent-eligibility inquiry entirely to these later sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do.” *Id.* Ironically, the pendulum has swung too far in the opposite direction. Where the concern once was that Sections 102, 103 and 112 might not be “equipped” to assess the Section 101 inquiry, Section 101 is now being called upon to handle the work of the “later sections.” *See id.*

To prevent further misapplication of the Patent Act, courts must preserve the distinction between the analyses for each of the Patent Act’s statutory conditions. *See Chamberlain Grp., Inc. v. Linear LLC*, --- F. Supp. 3d ----, No. 14-CV-05197, 2015 WL 4111456, at *9 (N.D. Ill. July 7, 2015) (“... that analysis is more appropriately addressed as a question of what constitutes the prior art and whether the '977 Patent claims hold any novelty over the teachings of the prior art”); *Cogent Med., Inc. v. Elsevier Inc.*, 70 F. Supp. 3d 1058, 1064, N.3 (N.D. Cal. 2014) (“it is important not to overly impute into § 101 considerations reserved for challenges under §§ 102, 103, or, if the patent claims subject matter broader than

its disclosure, § 112”); *see also HealthTrio, LLC v. Aetna, Inc.*, No. 12-CV-03229-REB-MJW, 2015 WL 4005985, at *6 (D. Colo. June 17, 2015) report and recommendation adopted, No. 12-CV-03229-REB-MJW, 2015 WL 5675303 (D. Colo. Sept. 28, 2015). When the inquiry from Section 101 bleeds into the later sections – 102, 103, and/or 112 – it becomes impossible and the factual inquiries under Section 102, 103 and/or 112 will continue to be improperly determined “as a question of law” under Section 101.

2. The Once Well-Settled Presumption Of Validity Has Now Become Uncertain, Making Its Application Inconsistent.

While there is no question that the presumption of validity and the clear and convincing standard apply under other sections, such as Section 103, district courts have inexplicably undermined its applicability under Section 101.

Under the Patent Act, issued patents are presumed to be valid. 35 U.S.C. § 282. A party seeking to invalidate a patent must overcome this strong presumption of validity with clear and convincing evidence. *See, e.g., U.S. Gypsum Co. v. National Gypsum Co.*, 74 F.3d 1209, 1212 (Fed. Cir. 1996); *Hibritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375 (Fed. Cir. 1986).

As the Supreme Court has made clear, the presumption of invalidity and the accompanying “clear and convincing” burden was created by Congress, and only Congress can change it. *Microsoft Corp. v. i4i Ltd. Partn.*, 131 S. Ct. 2238, 2242 (2011) (citing 35 U.S.C. § 282). As the Supreme Court reasoned, because

“Congress has prescribed the governing standard of proof, its choice controls absent ‘countervailing constitutional constraints.’” *Id.* at 2244. Despite a multitude of changes in patent law over the past half-century, Congress has done nothing to alter either the presumption of validity or the “clear and convincing” burden of proof.

Nonetheless, district courts have effectively shifted the burden of demonstrating validity on the patentees when district courts should either construe the claims in the light most favorable to the patentee or the defendant must show, as a matter of law, that the only plausible construction of the asserted claims renders the subject matter ineligible. *See Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1346 (Fed. Cir. 2013). This improper shift and dilution of the burden of proof has resulted in inconsistent case law and uncertainty to patentees.

3. The Pencil-And-Paper Analogy Is Being Improperly Used As A Proxy For The Two-Step Alice Test.

The “pencil-and-paper” (or “pen-and-paper”) analogy, used in the underlying opinion in the instant matter, has rightly been chastised for being “unhelpful.” *California Inst. of Tech. v. Hughes Commc'ns Inc.*, 59 F. Supp. 3d 974, 994-95 (C.D. Cal. 2014) (“*CalTech*”). Specifically, it fails to account for the fact that, even if an invention can be performed with pencil and paper, it does not necessarily follow that humans can obtain the same result as a computer:

Many inventions could be theorized with pencil and paper, but pencil and paper can rarely produce the actual effect of the invention. Likewise, with regard to software, a human could spend months or years writing on paper the 1s and 0s comprising a computer program and applying the same algorithms as the program. At the end of the effort, he would be left with a lot of paper that obviously would not produce the same result as the software.

The problems of pencil-and-paper analysis are heightened in the context of software, which necessarily uses algorithms to achieve its goals. ***Pencil-and-paper analysis can mislead courts into ignoring a key fact: although a computer performs the same math as a human, a human cannot always achieve the same results as a computer.***

Id. (emphasis added); *see also Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 56 F. Supp. 3d 813, 821 (“*Alice* focuses the inquiry, however, on whether the claim is directed to an abstract idea, not on whether the claim could be performed by a human.”).

Far from an actual test for patent eligibility, the pencil-and-paper analogy only *illustrates* a inconclusive characteristic of abstractness: “that humans engaged in the same activity long before the invention of computers.” *CalTech*, 59 F. Supp. 3d at 995. Because pencil and paper cannot always achieve the same result as a computer, the test results in a great number of false positives – inventions that can, theoretically, be performed manually, but still contain an inventive concept or are otherwise patentable.

Furthermore, this analogy necessitates isolating claim elements based only on the *result* that can purportedly be achieved with pencil and paper. This approach is misleading because, by its very nature, it ignores the methods by which the subject invention, when viewed as a whole, solves a problem in an innovative way. When courts merely conduct a results-oriented analysis based on what the prior art could achieve (in this instance, through the pencil and paper analogy), it is unremarkable that similarities will be found and that these similarities will be confused for disqualifying characteristics for patent eligibility.

This harkens back to the point-of-novelty analysis discussed by the Supreme Court in *Parker v. Flook*, 437 U.S. 584 (1978), which the Supreme Court rejected in *Diehr*. See *Diehr*, 450 U.S. at 189 (noting that novelty “is of no relevance” when determining patentability). Despite the fact that the Supreme Court did not revive this method in either *Bilski*, *Mayo*, or *Alice*, certain district courts, including the District Court in this matter, are nonetheless utilizing this analogy in a manner strikingly similar to the manner discredited by *Diehr*.

Indeed, the analogy simply does not fit with today’s patentable technology. The court in *Ameranth, Inc. v. Genesis Gaming Solutions, Inc.*, stated that “automation of manual tasks is not necessarily abstract.” No. SACV 11-00189 AG, 2014 WL 7012391, at *6 (C.D. Cal. Nov. 12, 2014). Utilizing Eli Whitney’s cotton gin as an example, the *Ameranth* court demonstrated that comparing claim

language to something previously performed manually is a distraction from the primary issue of patentability:

U.S. Patent No. 72 (1794) to Eli Whitney for a cotton gin is one familiar example of a solidly tangible automating machine. Of course, one could posit a way of drafting even a claim to a cotton gin in a way that renders it abstract: “a machine comprising metal and wood configured to remove cotton seeds from cotton fiber.” Read most charitably, Defendants are arguing something like that—that the prior art shows that all of the steps in the claimed method were performed together previously, and the '969 Patent merely says “do that, on a computer,” neatly fitting the *Alice* mold.

Id.

Nonetheless, in the wake of *Alice*, district courts are routinely finding patents ineligible based on the mere *possibility* that the disputed patent claims could be performed mentally or with the assistance of pencil and paper. *See, e.g., Hawaiian Telcom*, 2015 WL 5769221, at *8; *Oceanic Time Warner Cable*, 2015 WL 5768943, at *9; *Synopsys, Inc. v. Mentor Graphics Corp.*, 78 F. Supp. 3d 958, 964 (N.D. Cal. 2015) (“the claimed steps were performed mentally by the inventors and can be performed by a skilled designer either mentally or with the aid of a pencil and paper”); *Mortgage Grader, Inc. v. Costco Wholesale Corp.*, 89 F. Supp. 3d 1055, 1064 (C.D. Cal. 2015), appeal dismissed (Apr. 13, 2015); *Cogent Med., Inc.*, F. Supp. 3d at 1064-65 (“the court need only consider the resourcefulness of the human mind in manually preselecting medical information

that is not literally within the search terms supplied by the user”). Such analysis fails to demonstrate whether the computer (or internet) plays a significant part in the invention, such as by providing an inventive concept.

It is clear that *Alice* explicitly leaves room open for patenting inventions – even those previously performed manually – when there is an improvement to the process. The Supreme Court acknowledged that all inventions rest upon laws of nature, natural phenomena, or abstract ideas. 134 S. Ct. at 2354. “An invention is not rendered ineligible for patent simply because it involves an abstract concept” because the application of an abstract concept “to a new and useful end ... remain[s] eligible for patent protection.” *Id.* “[A] new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made.” *Diehr*, 450 U.S. at 188; *see also CalTech*, 59 F. Supp. 3d at 992-93 (“A combination of conventional elements may be unconventional.”). As stated by the Supreme Court in *Alice*, claims that “improve the functioning of the computer itself” or “effect an improvement in any other technology or technical field” may be patentable. *Alice*, 134 S. Ct. at 2359-60. Despite these admonitions, the pencil and paper analogy is being used to improperly invalidate patents under *Alice*, based the mere *possibility* of whether they can be so-performed, eschewing necessary analysis as to whether, looking at the claims as a whole, the computer adds significantly to the process.

The pencil-and-paper analogy should, therefore, be eschewed, or severely limited, as misleading and unhelpful – especially in the software context.

C. OVERLOOKED ARE THE INVENTORS WHO HAVE DETAILED THEIR INVENTIONS BY DISCLOSURE IN RETURN FOR AN ENDURING PROPERTY RIGHT; COURTS ARE UPENDING THESE BARGAINS AND, IN TURN, DISRUPTING COMMERCE.

Inventors create and disclose “new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989); *see also J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 142 (2001). As the Supreme Court has recognized, this bargain serves “as an incentive to inventors to risk the often enormous costs in terms of time, research, and development.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974).

Allowing patents to be too-easily invalidated under a misapplication of Section 101 unfairly deprives patent holders of this essential part of the bargain. If patents are too easy to invalidate, the risk of invalidation upon a lower standard hampering patent enforcement to the point where the expected value of the patent cannot justify the outlays entailed in innovation. As put by social commentators:

People and corporations order their affairs based on the present understanding of the law and stripping property rights by applying a different legal standard 15 years later is not only fundamentally unfair but is hardly in keeping

with legal norms associated with property rights. You would NEVER see this with respect to real property.

Gene Quinn, *A Software Patent Setback: Alice v. CLS Bank*, IPWatchdog (January 9, 2015), <http://www.ipwatchdog.com/2015/01/09/a-software-patent-setback-alice-v-cls-bank/id=53460/>.

Many inventors, and their investors, have been stunned by the post-*Alice* turn of events. Behind these patents are real people who have put their time, money and faith behind the patent system. Superficial decisions are causing real damage, especially to smaller operating companies that are the seedbed of future industry.

As former USPTO director, David Kappos, recently pointed out:

One might ask, if the patent claims are invalid, who cares if they are scrapped because they are not eligible subject matter (101) versus if they lack novelty (102), are too obvious (103) or are too open-ended or unclear (112)? If we're concerned for the overarching purpose of the patent system—incentivizing invention—it matters a lot. How we adjudicate patent disputes necessarily determines where inventors and companies make substantial investment in innovation—and where they will invest less. Overreliance by the judiciary and the USPTO on Section 101 blunts the incentivizing purpose of patent protection and deters investment across broad categories of industry.

David Kappos, *Over-Reliance on Section 101 Puts Innovation at Risk*, Law.com, (May 7, 2015), <http://www.law.com//sites/lawcomteam/2015/05/07/over-reliance-on-section-101-threatens-innovation/?slreturn=20151102135529>. When the

deleterious impact to patent owners caused by unjustified patent invalidations is considered, the need for clarification from this Court becomes even more acute.

VI. CONCLUSION

Tranxition respectfully submits that this Court reverse the District Court in the *Broadband iTV* Decisions in order to confirm that computer-implemented claims are patent-eligible and clarify under what circumstances such claims may be found not invalid.

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Respectfully submitted,

Arent Fox LLP

By: /s/ Arthur S. Beeman
Arthur S. Beeman

Arthur S. Beeman
arthur.beeman@arentfox.com
Joel T. Muchmore
joel.muchmore@arentfox.com
Arent Fox LLP
55 2nd Street, 21th Floor
San Francisco, CA 94105
Telephone: (415) 757-5500

ATTORNEYS FOR AMICUS CURIAE
TRANXITION, INC.

CERTIFICATE OF SERVICE

I certify that on January 28, 2016, the foregoing **AMICUS BRIEF BY
TRANXITION, INC.** was filed electronically using the Court's CM/ECF system,
which will give notice of the filing to counsel for the Appellees.

/s/ Arthur S. Beeman

Arthur S. Beeman

Attorney for Amicus Curiae Tranxition, Inc.

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 6,864 words [max 7,000], excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii). This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in Times New Roman font size 14.

/s/ Arthur Beeman
Arthur S. Beeman,
Attorney for Appellant