

No.

In the Supreme Court of the United States

MAXELL, LTD.,

Petitioner,

v.

FANDANGO MEDIA, LLC,

Respondent.

**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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QUESTION PRESENTED

Maxell, Ltd., is a leading manufacturer of digital media. It owns patents that disclose solutions for managing access to audio/video content sent over networks, such as videos provided through online rental and streaming services. The patents describe two time controls and a series of rules to restrict access to audio/visual files that are sent with the files, in order to limit access to the files even when the user is offline. The question presented is:

Whether the claims at issue in Maxell's patents are patent-eligible under 35 U.S.C. 101, as interpreted in *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014).

**PARTIES TO THE PROCEEDING AND
CORPORATE DISCLOSURE STATEMENT**

Petitioner is Maxell, Ltd. Maxell, Ltd. is a wholly-owned subsidiary of Maxell Holdings, Ltd. Maxell Holdings, Ltd. is a publicly held company, and no publicly held company owns 10% or more of its stock.

Respondent is Fandango Media, LLC.

RELATED PROCEEDINGS

There are no pending proceedings directly related to this case.

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Petitioner Maxell Ltd. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The order of the court of appeals (Pet. App. 1a-2a) is not published in the Federal Reporter but is reprinted in 779 F. App'x 745. The order of the district court (Pet. App. 3a-25a) is not published in the Federal Supplement but is available at 2018 WL 4502492.

JURISDICTION

The judgment of the court of appeals was entered on October 8, 2019. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. 101 provides:

Inventions Patentable

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.

STATEMENT

1. The Patent Act defines the subject matter eligible for patent protection as “any new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. 101. This Court has recognized three “implicit exception[s]” to Section 101: “laws of nature, physical phenomena, and abstract ideas.” *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (internal quotation marks omitted). An invention that claims a law of nature, physical phenomenon, or abstract idea, without more, is not eligible for patent protection, while an invention that “integrate[s]” one of those “into something more” may be patent-eligible. *Id.* at 217 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 73 (2012)).

This Court has developed a two-step test for distinguishing between patents that claim only laws of nature, natural phenomena, and abstract ideas, and patents that claim patent-eligible applications of those concepts. First, a court determines “whether the claims at issue are directed to [a] patent-ineligible concept.” *Alice*, 573 U.S. at 217. If they are, the court searches for an “inventive concept” by asking, “[W]hat else is there in the claims before us?” *Ibid.* (internal quotation marks omitted). In answering that second question, the court considers “the elements of each

claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Ibid.* (quoting *Mayo*, 566 U.S. at 73).

2. Petitioner is (among other things) a leading manufacturer of digital storage media, computer accessories, and other electronic products. C.A. App. 1001. It owns the three patents at issue here. *Ibid.*; see Pet. App. 4a.¹ In the late 1990s – well before video-streaming services became commonplace – petitioner’s engineers were developing solutions for digital media, including for distributing digital content. See C.A. App. 29 (’389 patent).

One set of solutions addressed distribution of digital audio/visual content over networks. See C.A. App. 29. The engineers realized that the transition from physical media to digital media posed new challenges for copyright holders. *Ibid.* Copyright holders faced an increased risk of piracy, because users who received a digital file could create perfect copies of that file and transmit them to others nearly instantaneously. *Ibid.*; see Pet. App. 4a. That problem had not existed with physical media such as VHS tapes, because copying VHS tapes degraded the quality of the videos and took significant time and effort. C.A. App. 29.

By the year 2000 (the priority date of these patents), other inventors had begun to address the challenges associated with distributing digital content. C.A. App. 17, 29. Some proposed purposefully degrading the quality of each copy, to mimic non-digital media. *Id.* at 29. Others proposed including copy control

¹ The patents at issue are U.S. Patent Nos. 8,311,389 (the ’389 patent), 9,088,942 (the ’942 patent), and 9,733,522 (the ’522 patent). Pet. App. 4a.

information with the digital media that would prevent the user from copying the content or would permit only a limited number of copies. *Ibid.*

Petitioner's patents disclose a different type of solution, one that uses a combination of time controls and rules to limit access to audio/visual content sent over networks. Pet. App. 4a-5a. The inventors realized that users generally want to watch a video only once, but not always right away. C.A. App. 30. So they invented a solution for limiting access to a video file using two time controls and a series of rules. The time controls are a "retention period," which limits how long users can keep the video file on their device (*e.g.*, thirty days), and a "playback permission period," which limits how long users have to watch the video once they start watching it (*e.g.*, 24 hours). *Ibid.* The rules address how the two time controls work together to limit access to the video file. *E.g.*, *id.* at 38; see Pet. App. 5a. The rules are sent across a network to the user with the video file, so that the user can download the video and play the video offline, subject to the time limits; the user does not have to be on a network to watch the video. *E.g.*, C.A. App. 38; see Pet. App. 19a.

The three patents at issue claim the two time controls and different rules on how the two time controls work together. Pet. App. 5a. The primary difference in the rules is that sometimes the user has a grace period to finish playing a video when the retention period expires in the middle of the video. *Ibid.* In the '389 patent, there is no grace period; once the retention period ends, permission to view the video expires. C.A. App. 38; see Pet. App. 5a. In the '942 and '522 patents, there is a grace period; a user whose retention period ends in the middle of watching a video can finish watching the video (but cannot watch it again). C.A. App. 60, 85; see Pet. App. 5a. Because

these time controls and rules are sent to the user along with the video file, the limitations on access apply even if the user has downloaded the video and is using the file offline.

3. Respondent owns an online movie streaming service called FandangoNow. C.A. App. 1003. Petitioner sued respondent because this streaming service infringes the three patents at issue. Pet. App. 3a; see C.A. App. 1006-1018.²

Following claim construction, respondent moved for judgment on the pleadings, arguing that the asserted claims are ineligible because they attempt to patent abstract ideas. Pet. App. 5a-6a. The district court considered the following representative claim:

13. A method, comprising:
transmitting audio/video information;
receiving the audio/video information;
storing the audio/video information on a storage medium; and
reproducing the audio/video information from the storage medium according to control information related to the audio/video information, wherein the control information includes: a first period for retaining the audio/video information on the storage medium, and a second period, that begins at the start of an initial reproduction of the audio/video information, for enabling a start of a reproduction of the audio/video information stored on the storage medium, and
wherein, in a case where an elapsed time from a retaining of the audio/video information is within the first period and an elapsed time from

² The district court had jurisdiction over petitioner's claims under 28 U.S.C. 1331 and 1338(a).

an initial reproduction of the audio/video information is within the second period, enabling a reproduction of the audio/video information, and, in a case where a reproduction is started before the end of the first period and the reproduction is continuing at the end of the first period, enabling the reproduction to an end of the audio/video information beyond the end of the first period, and thereafter disabling a start of another reproduction of the audio/video information even if an elapsed time from the initial reproduction of the audio/video information is within the second period.

C.A. App. 85; see Pet. App. 12a.

Applying the *Alice* framework, the district court held that the claims at issue are ineligible for patent protection because they concern only abstract ideas. Pet. App. 3a-25a. The court first determined that the claims are directed to the concept of “restricting access to data” using “rules based on time.” *Id.* at 12a-13a. The court acknowledged that the use of two time controls and particular rules for combining them were “an improvement to copyright holder protection and user convenience,” *id.* at 19a, but decided that this was “just a more specific-sounding way to describe an abstract concept,” *id.* at 16a.

On step two of the *Alice* inquiry, the district court decided that the claims did not include an inventive concept beyond the abstract idea of using rules based on time. Pet. App. 21a. In the court’s view, a specific combination of rules – no matter how novel – could not provide an inventive concept because the underlying rules were themselves abstract. *Ibid.* The court refused to consider petitioner’s expert report, which

demonstrated that the solutions claimed in the patents were unconventional at the time of their invention. *Id.* at 22a-23a.

4. Petitioner appealed to the Federal Circuit. Petitioner explained that the district court misapplied both steps of the *Alice* framework: The district court erred at step one by framing the inquiry at too high a level of generality, and the court erred at step two by refusing to consider the novelty of the solution embodied in the claims (which the expert report established). Pet. C.A. Br. 18-19, 30-32.

The Federal Circuit summarily affirmed without providing a written opinion. Pet. App. 1a-2a; see Fed. Cir. R. 36.

REASONS FOR GRANTING THE PETITION

The decision below rests on an application of the two-step framework this Court set out in *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), for determining whether claims are ineligible for patent protection because they concern one of this Court’s “implicit exception[s]” (*id.* at 216) to 35 U.S.C. 101. Several pending petitions for writs of certiorari ask this Court to revisit the *Alice* framework. The United States has urged this Court to grant review in one of the cases to address the issue. Petitioner therefore requests that this Court hold this case pending its decisions on those pending petitions. If the Court grants the petition for a writ of certiorari in one or more of those cases, the Court should grant this petition, vacate the Federal Circuit’s decision, and remand the case.

1. The only issue in this case is whether the claims in petitioner’s patents are patent-eligible under 35 U.S.C. 101 and *Alice*. Applying the *Alice* framework, the district court found the claims ineligible,

and the Federal Circuit affirmed. Pet. App. 1a-2a, 3a-25a.

This case turns entirely on the district court’s (mis)understanding of the *Alice* framework. The court fundamentally erred at step one by describing the claims at too high a level of generality and failing to consider the digital context. This Court has explained that, because on some level all inventions “involve[] an abstract concept,” courts should review the claims carefully to “distinguish” those that claim abstract concepts in and of themselves, and those that “[a]ppl[y] * * * such concepts to a new and useful end.” *Alice*, 573 U.S. at 217 (internal quotation marks omitted). The district court did not do that here.

The court described the claims as directed to “the concept of restricting access to data based on rules.” Pet. App. 13a. But the patents do not claim the general concept of restricting access to data using rules; they claim particular solutions for restricting access to digital audio/visual content using control information and rules sent to the user with the audio/visual file. See, e.g., C.A. App. 85. Those solutions use two time controls to restrict access to copyright-protected content – a retention period and a playback permission period – according to specific rules set out in the claims. *Ibid.* They protect copyright owners’ rights by restricting access to the audio/visual file to a limited period. Pet. App. 4a-5a. And they optimize the user experience by allowing the user to choose when to use the audio/visual file, including when the user is offline. *Id.* at 5a, 19a.

The district court also seriously erred at step two of the *Alice* framework. In that step, the court’s task was to consider whether there was an “inventive concept,” in the claims – that is, whether the claims “require[] more than simply stat[ing] the [abstract idea]

while adding the words ‘apply it.’” *Alice*, 573 U.S. at 221 (internal quotation marks omitted).

Here, the claims do not simply say to “apply” the idea of “restricting access to data” using “rules based on time.” Pet. App. 13a. Instead, they provide a particular set of solutions to a uniquely digital problem. C.A. App. 29. Those solutions became necessary only when content could be distributed in digital form and across digital networks. And it was an inventive solution in 2000, the priority date of these patents. *Id.* at 17. Petitioner’s expert evidence demonstrated that those solutions were novel at the time of the invention. *Id.* at 314-318. But the district court refused to even consider that evidence. Pet. App. 23a.

Because the district court described the claims at too high a level of generality and refused to consider evidence of inventiveness, the court never actually considered the specific solutions set out in the patents and whether those solutions involved “something more” (*Alice*, 573 U.S. at 217) than simply the high-level concept of restricting access to data based on time.

2. A number of pending petitions for writs of certiorari present questions about applying the *Alice* framework. The Court called for the views of the Solicitor General in two of those cases, and the Solicitor General recommended that the Court grant review to revisit the *Alice* framework. Petitioner respectfully requests that, if the Court decides to revisit *Alice*, it return this case to the Federal Circuit to allow that court to apply this Court’s new guidance and correct the district court’s errors.

a. At least four pending certiorari petitions raise *Alice* issues. The Court called for the views of the Solicitor General in two cases: *Hikma Pharmaceuticals*

USA Inc. v. Vanda Pharmaceuticals Inc., petition for cert. pending, No. 18-817 (filed Dec. 27, 2018), and *HP Inc. v. Berkheimer*, petition for cert. pending, No. 18-415 (filed Sept. 28, 2018). *Hikma* concerns claims in a medical-diagnostic patent; the petition challenges the Federal Circuit’s decision holding those claims patent-eligible. Pet. at i, *Hikma, supra* (*Hikma Pet.*); see *Vanda Pharm. v. West-Ward Pharm. Int’l Ltd.*, 887 F.3d 1117, 1135-1136 (Fed. Cir. 2018). *Berkheimer* concerns claims in a computer-software patent that were challenged as involving only abstract ideas. Pet. at 5-6, *Berkheimer, supra* (*Berkheimer Pet.*); see *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018). The petition presents the question whether, under step two of the *Alice* framework, inventiveness is a fact question for the jury or a legal question for the judge. *Berkheimer Pet.* at i.

The Solicitor General also filed a brief as respondent in *Trading Technologies International, Inc. v. IBG LLC*, petition for cert. pending, No. 19-353 (filed Sept. 16, 2019). That case involves claims in computer-related patents that the Federal Circuit ruled ineligible as involving abstract ideas. Pet. at 6-12, *Trading Techs., supra* (*Trading Techs. Pet.*); see *Trading Techs. Int’l, Inc. v. IBG LLC*, 921 F.3d 1084, 1091-1095 (Fed. Cir. 2019). The petition asks the Court to review the Federal Circuit’s application of *Alice* and to consider overruling *Alice*. *Trading Techs. Pet.* at i.

Finally, the pending petition in *Athena Diagnostics, Inc. v. Mayo Collaborative Services, LLC*, petition for cert. pending, No. 19-430 (filed Oct. 1, 2019), concerns claims in a medical-diagnostic patent that the Federal Circuit ruled ineligible as involving laws of nature. Pet. at 28, *Athena Diagnostics, supra* (*Athena Pet.*); see *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 915 F.3d 743, 750-757 (Fed. Cir.

2019). The petition asks the Court to review the Federal Circuit’s application of the *Alice* framework, and/or to abandon or modify the *Alice* framework. *Athena* Pet. at 28.

b. The Solicitor General recommended that the Court deny the petitions in *Hikma*, *Berkheimer*, and *Trading Technologies*. U.S. *Amicus* Br. at 21-22, *Hikma*, *supra* (U.S. *Hikma* Br.); U.S. *Amicus* Br. at 14, *Berkheimer*, *supra*; U.S. Br. in Opp. at 13-14, *Trading Techs.*, *supra*. But he recommended that the Court grant the petition in *Athena* to revisit the *Alice* framework. U.S. *Hikma* Br. at 22-23.

The Solicitor General stated that the lower courts have had “difficulties in applying Section 101” following this Court’s decision in *Alice*. U.S. *Hikma* Br. at 17. He explained that both steps of the *Alice* framework “have proven problematic,” and he advocated that the Court abandon the *Alice* framework and that the Court adopt a different approach to determining eligibility. *Id.* at 17, 19-21.

The Solicitor General urged the Court to grant the petition for a writ of certiorari in *Athena* because he viewed that case as the most appropriate vehicle for revisiting *Alice*. U.S. *Hikma* Br. at 22. But he stated that, whether “in *Athena* or in another such case, further guidance from this Court is amply warranted.” *Id.* at 22-23; see Sup. Ct. R. 10.

c. If the Court grants review in any of those cases, its decision likely will affect this case because this case turns on the district court’s and the Federal Circuit’s understanding of 35 U.S.C. 101 and *Alice*.

All of the pending petitions ask the Court to review applications of the *Alice* framework to particular claims. In particular, the petitions ask the Court to address how to frame the claims at the right level of

abstraction, *Hikma* Pet. at 30-31; *Athena* Pet. at 19-20; *Trading Techs.* Pet. at 33-34; whether a claim can be patent-eligible by claiming specific uses of a patent-ineligible concept, *Athena* Pet. at 17; and how to account for a claim's lack of preemptive effect, *id.* at 20. The Court's guidance on any of those questions will affect the patent-eligibility analysis in this case.

The *Berkheimer* petition raises the particular question whether step two of the *Alice* framework involves factual determinations. *Berkheimer* Pet. at 9-10. The district court in this case expressly relied on *Berkheimer*, Pet. App. 8a, but declined to consider petitioner's expert evidence on inventiveness, *id.* at 23a. So if the Court grants plenary review in *Berkheimer*, its decision likely will affect the analysis of the fact evidence in this case. See *id.* at 20a.

And if the Court abandons or modifies the *Alice* framework, that holding also will be directly applicable to this case. If, as the United States urges, this Court abandons the *Alice* framework entirely, the claims at issue in this case likely will be patent-eligible. But even if the Court only modifies *Alice* or provides guidance on its application, the courts below should have the opportunity to apply that guidance to the patents at issue here.

Accordingly, the Court should hold this petition pending its decisions in *Hikma*, *Athena*, *Trading Technologies*, and *Berkheimer*. If the Court grants the petition for a writ of certiorari in any of those cases, the Court should (following its decision on the merits) grant this petition, vacate the Federal Circuit's judg-

ment, and remand the case to that court for it to reconsider whether the claims at issue are patent-eligible.³

CONCLUSION

The petition for a writ of certiorari should be held pending this Court's decisions in *HP Inc. v. Berkheimer*, No. 18-415; *Hikma Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals Inc.*, No. 18-817; *Trading Technologies International, Inc. v. IBG LLC*, No. 19-353; and *Athena Diagnostics, Inc. v. Mayo Collaborative Services, LLC*, No. 19-430, and then disposed of as appropriate in light of those decisions.

Respectfully submitted.

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³ There are two other pending petitions that raise *Alice* issues: *Power Analytics Corp. v. Operation Technology, Inc.*, petition for cert. pending, No. 19-43 (filed July 1, 2019), and *Garmin USA, Inc. v. Cellspin Soft, Inc.*, petition for cert. pending, No. 19-400 (filed Sept. 23, 2019). If the Court grants plenary review in either *Power Analytics* or *Garmin*, the Court also should hold this petition pending its merits decision and then grant this petition, vacate the decision below, and remand the case to the Federal Circuit.