

**In the
Supreme Court of the United States**

WILDTANGENT, INC.,

Petitioner,

v.

ULTRAMERCIAL, LLC AND ULTRAMERCIAL, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR PETITIONER

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RULE 29.6 STATEMENT

WildTangent, Inc. has no parent company and no publicly held company owns 10% or more of its stock.

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ARGUMENT

WildTangent's petition for certiorari and the eight amicus briefs filed in support thereof explain why certiorari is clearly warranted in this case. In response, Ultramercial argues that the petition should be denied "[f]or the reasons set forth in the brief in opposition filed by Respondent CLS Bank International, Inc., in [*Alice Corporation Pty. Ltd. v. CLS Bank International*, No. 13-298]." See Respondents' Letter to Clerk (Nov. 6, 2013). As explained below, those arguments lack merit.¹

I. THIS COURT'S INTERVENTION IS CLEARLY NEEDED NOW

CLS Bank's suggestion that this Court's review is "not needed now" is unpersuasive—and best viewed as the litigating position of a party that seeks to defend a favorable judgment rather than an actual assessment of the demand for this Court's guidance. CLS Bank Opp. 24 (heading). As not only its en banc dust-up in *CLS Bank International v. Alice Corporation Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013), but numerous panel decisions underscore, the Federal Circuit is intractably divided on the application of 35 U.S.C. § 101 to computer-related patents. WildTangent Pet. 27-30. It is well-known that the Federal Circuit's decisions in this area are today almost entirely panel dependent—creating a Wild West-like environment for a critically important and frequently recurring area of patent law.

CLS Bank does not dispute the fundamental conflicts in the Federal Circuit's case law on this

¹ Because Ultramercial made this argument in a letter that also purports to "waive" a response, WildTangent submits this reply as a supplemental brief to address the CLS Bank brief.

important issue. In fact, CLS Bank recognizes (at 26-27) that the conflict is growing. After WildTangent filed its certiorari petition in this case, the Federal Circuit—in a divided decision—held that a computer-implemented patent was *not* eligible in *Accenture Global Services, GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336 (Fed. Cir. 2013). CLS Bank admits that “in the two cases, Judge Lourie and Chief Judge Rader reiterated their differing articulations of the eligibility test,” and they “continue to approach differently *Mayo*’s requirement for an ‘inventive concept’ contributing ‘significantly more’ than an abstract idea.” CLS Bank Opp. 26. Indeed. CLS Bank contends (at 24) that this Court denies review of *intra*-circuit disagreements—relying solely on cases involving the *regional* circuits. But because of its exclusive jurisdiction over patent cases (28 U.S.C. § 1295(a)), the Federal Circuit’s internal disagreement over § 101 is tantamount to a classic *inter*-circuit conflict.

CLS Bank suggests (at 24-25) that the Federal Circuit may sort out the “differences” itself, pointing to the fact that new judges have joined the Court. But the new judges cannot resolve the profound disagreements that already exist on the Federal Circuit. Nor is there any reason to believe that the Federal Circuit will have any appetite to take the issue en banc again in the aftermath of *CLS Bank* or—given the multi-faceted, entrenched conflict on the court—that it would be able to reach a consensus on § 101 this time around. And ultimately, this is an issue that must be resolved by this Court, as was true in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), and *Association for Molecular Pathology*

v. Myriad Genetics, Inc., 133 S. Ct. 2107 (2013). Likewise, the Federal Circuit’s decision in this case starkly illustrates that the Federal Circuit is not, as CLS Bank suggests (at 30), “internalizing” this Court’s recent guidance on § 101. *Infra* at 7-8.

As the numerous amici supporting review have stressed, the Court’s intervention is urgently needed. Patent litigation has increased drastically in recent years, particularly in the software industry. *See, e.g.*, Electronic Frontier Foundation Br. 4 (EFF Br.); Facebook Br. 2-3. The uncertainty surrounding § 101 encourages plaintiffs to sue on broadly written abstract patents and forces defendants to settle. *See, e.g.*, EFF Br. 11. This trend is especially problematic for the high-tech industry because computer, software, and Internet-related patents account for a disproportionate share of patent litigation and can easily be written in broad, abstract terms. EFF Br. 7-8; Computer & Communications Industry Ass’n Br. 10-13 (CCIA Br.); Facebook Br. 2-3. The Ultramercial patent is a prime example. Although it does not contain any computer programming and adds nothing inventive, the patent claims a monopoly on the increasingly ubiquitous practice of using advertising as currency over the Internet. And Ultramercial has sought to use the patent to thwart actual innovators in this area like WildTangent, Hulu, and YouTube—the latter two of which ultimately opted to settle with Ultramercial rather than incur litigation costs. Pet. App. 42a.

As Google and other leading technology companies have explained, “[t]his one cannot wait.” Google Br. 2. Indeed, when the tables were turned (and it was forced to seek en banc review of an unfavorable panel decision), CLS Bank argued that clarity is needed on

this “critical point of law,” and that the “vigorous disagreement” in the Federal Circuit “cries out” for review. *CLS Bank* Reh’g Pet. 7, 15 (Fed. Cir. Aug. 22, 2013). Since then, the situation has only worsened.

II. CERTIORARI IS PLAINLY WARRANTED IN THIS CASE

Effectively conceding that certiorari is necessary, *CLS Bank* eventually pivots to arguing (at 30) that *CLS Bank* is “the best vehicle for this Court’s review.” If the Court wishes to take one case—instead of both—*Ultramercial* is the superior vehicle for review.

1. For starters, the Federal Circuit’s decision in this case cuts closer to home. In *Ultramercial*, the Federal Circuit essentially defied this Court’s 2012 order granting WildTangent’s prior petition for certiorari, vacating the judgment, and remanding for further consideration in light of *Mayo*. Pet. App. 68a. Indeed, in the decision below, Judge Lourie took the unusual step of writing separately to say that he “believe[s] that [the Federal Circuit] should concisely and faithfully follow the Supreme Court’s” decision in *Mayo*, and that the majority in this case, instead, “set forth [its] own independent views.” *Id.* at 36a-37a.

Those “independent views” flout this Court’s GVR order—not to mention *Mayo*. Pet. 15-27. In *Mayo*, the Court issued a “unanimous directive to apply the patentable subject matter test with more vigor.” *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1356 (Fed. Cir. 2012) (Prost, J., dissenting). But the Federal Circuit did just the opposite here. Rather than heeding *Mayo*, the Federal Circuit re-embraced the reasoning in its initial panel decision that a generic reference to “an Internet website” is sufficient to transform an

abstract idea into patent-eligible subject matter, and then doubled down on that approach by adding new hurdles that effectively eliminate § 101 as a meaningful screening tool. *See infra* at 7-9. CLS Bank itself recognizes the significance of this Court’s “further explication of the eligibility inquiry” in *Mayo*. CLS Bank Opp. 14-15. In its decision below, the Federal Circuit openly disregarded *Mayo*’s guidance.

The judgment in *CLS Bank*, by contrast, did not follow a GVR order and does not conflict with this Court’s precedents. Indeed, not one of the amici in support of Alice Corporation’s petition argues that the judgment was wrong under this Court’s precedents, and a discussion of the merits is largely (and tellingly) absent from Alice Corporation’s petition. Moreover, the Federal Circuit’s treatment of the GVR order in *Ultramercial* fits into a troubling pattern of defiance in recent § 101 cases. Pet. 1-2 & n.1. Allowing the Federal Circuit’s remand decision in this case to go unreviewed will hardly discourage that practice.

2. *Ultramercial* also presents the § 101 issue in the cleanest, starkest, and most straightforward way of the potential vehicles for certiorari. The technology is easy to understand and familiar to most Internet users. As the Federal Circuit itself recognized, there are no disputed factual issues and formal claim construction was not necessary. Pet. App. 29a-30a, 38a. The concept of trading advertisement viewing for content is indisputably abstract. The district court recognized the concept is abstract, *id.* at 66a, the parties have proceeded on that premise, *id.* at 28a, and the Federal Circuit itself has stated that the concept “is abstract, just as the vague, unapplied concept of hedging proved patent-ineligible in *Bilski*,” *id.* at 49a. To the extent

that the Federal Circuit has questioned whether “things that people do” can be abstract (*id.* at 28a n.2), that conflicts with *Bilski* and, in any event, would apply equally to the patent claims in *CLS Bank*.

Further, this case not only cleanly presents the question of § 101’s application to computer-related patents, but—unlike *CLS Bank*—also tests § 101’s application to methods involving the Internet. Given the substantial growth in commerce over the Internet, this category of computer-implemented claims is particularly important. *See, e.g.*, Google Br. 2. CLS Bank notes (at 33) that Judge Lourie “found it difficult to articulate *why* Ultramercial’s claims contain ‘significantly more than the underlying abstract idea.’” But that is understandable, because the patent claims at issue here *do not* contain “significantly more” than the abstract idea of trading advertising viewing for content. The only “more” is that the patent claims the performance of that idea “at an Internet website.” Yet, the ’545 patent does not include any computer programming, so it adds nothing beyond the software that any computer off the shelf at BestBuy or the Apple Store would have. Judge Lourie’s *ipse dixit* illustrates the flaw in the court’s reasoning.

Significantly, *Ultramercial* also avoids a lurking pitfall in *CLS Bank*. While CLS Bank and Alice Corporation have touted the addition of *system and media* claims as a reason to grant certiorari in *CLS Bank*, in fact the addition of these claims introduces a record-intensive dispute that will distract from the substantive § 101 issues. As Judges Linn and O’Malley explained in their opinion dissenting from the judgment in *CLS Bank*, based on the district court’s findings and the parties’ own stipulations, the “method,

media, and system claims” at issue in *CLS Bank* “must rise and fall together; either they are *all* patent eligible or they are not.” 717 F.3d at 1332 (emphasis added). In other words, given the *way CLS Bank* was litigated, the system and media claims add nothing to the method claims there. But the more salient point is that, if this Court grants certiorari in *CLS Bank*, it is almost certainly going to be sucked into the same record-specific dispute that divided members of the Federal Circuit en banc on the extent to which the district court’s findings or parties’ stipulations preclude the Court from treating the system and media claims as any different from the method claims. This Court can avoid that pitfall by taking *Ultramercial*.

3. Unlike *CLS Bank*, the Federal Circuit’s decision in *Ultramercial* also is precedential and does enormous damage to § 101. Written as if it were a manifesto on § 101, the court’s decision in *Ultramercial* transforms § 101 from a meaningful screening mechanism into “no more than a ‘coarse eligibility filter.’” Pet. App. 9a-10a (citation omitted). Among other things, the court’s decision replaces § 101 with the analyses under §§ 102, 103, and 112; it increases the standard for abstractness to “manifest” abstractness; and it thwarts § 101 at the motion-to-dismiss stage. Pet. 15-20. Moreover, the decision effectively creates a rule that computer-implemented claims are not abstract. Relying on the patent’s reference to “an Internet website,” the court concluded that the ’545 patent claims require “complex computer programming” and are performed “through computers, on the internet, and in a cyber-market environment”—but the patent claims disclose no computer programming at all. *Id.* at 21-22. Allowing this generic reference to the Internet to satisfy § 101

directly contravenes the key principle in *Mayo* that “simply appending conventional steps, specified at a high level of generality, to . . . abstract ideas cannot make those . . . ideas patentable.” 132 S. Ct. at 1300.

By contrast, *CLS Bank* is a two-sentence non-precedential, per curiam decision. It makes no new law, and thus—quite unlike *Ultramercial*—does no actual damage to this Court’s § 101 jurisprudence. What is more, the judgment in *CLS Bank* (of non-patentability) accords with *Mayo* and this Court’s precedents. CLS Bank touts the fact that numerous separate opinions were filed by various judges in *CLS Bank*. True enough. But if the Court were to grant certiorari in this case, it would have the benefit of those views. Yet, in this case, the Court also would have a controlling opinion and reasoning to review as well.

4. *Ultramercial* also effectively eliminates § 101 as a meaningful screening tool at the motion-to-dismiss stage—an issue of particular importance to industry. The Federal Circuit’s decision all but instructs lower courts *not* to grant motions to dismiss on § 101 grounds—admonishing that such dismissals should be “rare,” “the exception,” and are “normally” “improper” and “inappropriate.” Pet. App. 4a-7a, 17a. As numerous amici have emphasized, the decision below “makes it nearly impossible to dismiss a patent infringement suit on the pleadings.” CCIA Br. 14; Application Developers Alliance Br. 14 (ADA Br.) (“nearly impossible”); Facebook Br. 7 (“practically impossible”) (heading); *see also* Google Br. 19; Altera Corp. Br. 3-4. At least where, as the Federal Circuit recognized was true here (Pet. App. 27a), there are no claim construction issues or disputed issues of material

fact, there is no reason § 101 cannot be invoked as a screening tool at the dismissal stage.²

The viability of § 101 as a threshold grounds for dismissal is vitally important, given the significant costs of discovery, experts, etc., that are frequently incurred in connection with summary judgment. *See* Facebook Br. 7-16; Google Br. 18-21; CCIA Br. 10-11, 14; ADA Br. 14; Altera Corp. Br. 3-4; EFF Br. 10-12. Delaying the resolution of § 101 claims simply “increase[s] the nuisance value of settlement.” Google Br. 21. Moreover, there is no basis for the line drawn by the Federal Circuit between the dismissal and summary judgment stage for resolving this *legal* issue. This Court’s precedents make clear that § 101 “is a ‘threshold test,’ and a ‘screening’ device.” Pet. 19 (quoting *Bilski, Mayo*). The Court “has never treated the question as factual or deferred to district court determinations of patent eligibility.” Google Br. 19. And as Professor Lemley explains, § 101 can only serve its intended gatekeeping function if it can be determined at the outset of litigation. Facebook Br. 16.

III. IT ALSO WOULD BE APPROPRIATE TO GRANT CERTIORARI IN BOTH CASES

While certiorari is plainly warranted in *Ultramercial*, it also would be appropriate to grant certiorari in both this case and *CLS Bank*. That approach would provide the Court with an opportunity

² To be clear, *Ultramercial* and *CLS Bank* are in the same posture as to claim construction: the Federal Circuit decided both cases by adopting (for § 101 purposes) “a construction most favorable to the patentee.” Pet. App. 27a; *see* CLS Bank Opp. 31. And, as in *CLS Bank*, no further factual development is necessary to resolve the § 101 issue here. Pet. App. 29a-30a, 38a.

to address two different computer-related patents, which the Federal Circuit believes yield different results. This Court often grants multiple cases in order to fully consider an issue. *See, e.g., Missouri v. Frye*, 132 S. Ct. 1399 (2012), and *Lafler v. Cooper*, 132 S. Ct. 1376 (2012); *Miller v. Alabama*, 132 S. Ct. 2455 (2012); *Holder v. Martinez Gutierrez*, 132 S. Ct. 2011 (2012); *Douglas v. Independent Living Ctr. of S. Cal., Inc.*, 132 S. Ct. 1204 (2012); *PLIVA, Inc. v. Mensing*, 131 S. Ct. 2567 (2011); *Abbott v. United States*, 131 S. Ct. 18 (2010); *Parents Involved In Cmty. Sch. v. Seattle Sch. Dist. No. 1*, 551 U.S. 701 (2007); *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546 (2005). *Ultramercial* and *CLS Bank* would naturally lend themselves to such joint consideration.

The Court also has the option of calling for the views of the Solicitor General, but that path is not advisable here. First, the Court does not need the views of the Solicitor General to determine that certiorari is necessary on the question presented. The smoldering battlefield of the Federal Circuit’s § 101 case law says enough. Second, if, despite the foregoing discussion, the Court has any question about which case is the better vehicle, it should simply take both—as it has often done before. And third, and perhaps most important, a CVSG would have the practical effect of postponing for a year and a half a decision by this Court providing desperately needed guidance on the question presented. This area of law, and the nation’s economy and pipeline for innovation in the computer, Internet, and technology-related industries,

are too important to allow the current chaos to persist into 2015.³

³ The Court need not call for a more traditional response. Ultramercial *has* responded—by explicitly adopting CLS Bank’s response, which discusses in detail the competing considerations on whether to grant certiorari and which case to review. In addition, Ultramercial filed a response to WildTangent’s 2012 certiorari petition in this case. That response did not suggest any vehicle impediment to review—and there is none. Moreover, the Court should not condone conduct that, if by design, would be inappropriate. Ultramercial initially asked the Court for a 45-day extension, in order to accommodate its counsel’s “significant professional obligations.” Respondents’ Letter to Clerk (Sept. 11, 2013). The Court granted a 44-day extension, which put this case and *CLS Bank* on the same schedule, for consideration together. But Ultramercial then purported to “waive” its response on the day its brief was due—while also *responding* by arguing that the Court should deny certiorari for the reasons given by CLS Bank. Respondents’ Letter to Clerk (Nov. 6, 2013). The CLS Bank brief, filed by experienced counsel, lays out all the competing considerations. Accordingly, the Court should take Ultramercial’s response incorporating the CLS Bank brief as given.

CONCLUSION

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

Respectfully submitted,

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