

**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

REPLY 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

At this point, now that Ultramercial has filed a response and the Court has granted certiorari in *Alice Corp. Pty. Ltd. v. CLS Bank International*, No. 13-298, the only serious question is whether to hold the petition for *CLS Bank* or grant the petition and set this case for plenary review along with *CLS Bank*. Several considerations weigh strongly in favor of plenary review. This important case not only presents unique facets of the problems with the Federal Circuit's case law in this area that would enhance the Court's consideration of the 35 U.S.C. § 101 issue and complement *CLS Bank*. But Ultramercial's response underscores that plenary review is necessary to ensure that the guidance that the Court does provide in *CLS Bank* on the application of § 101 to computer-implemented methods is not immediately thwarted by the very framework adopted by the Federal Circuit in this case and ardently advanced by Ultramercial here.

I. ULTRAMERCIAL'S ATTEMPT TO RECAST THIS CASE AS A ROUTINE "FACT-BOUND" DISPUTE IS IMPLAUSIBLE

1. Ultramercial's lead response is to argue that this case presents only a "fact-bound disagreement" about the scope of a patent. Opp. 1. Put aside that Ultramercial unsuccessfully led with the same argument in response to the prior certiorari petition in this case—which this Court granted in order to send the case back for reconsideration in light of *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012)—an action that would not have been necessary if Ultramercial were right about the nature of question presented. See No. 11-962 Opp. 1, 2, 6-8, 15-19. And put aside the numerous amicus

briefs filed in support of certiorari by leading technology corporations including Google and Facebook, computer-focused trade associations, and public interest groups—which stress the fundamental and broad-based importance of the question presented by this case. Ultramercial’s argument that this case involves nothing but a “fact-bound disagreement” concerning the meaning of a patent is just dead wrong.

It is not hard to see why this case has drawn such widespread interest. The patent at issue claims a method for monetizing advertisements “over the Internet”—broken down into its inherent steps. Pet. App. 2a. Ultramercial agreed that the basic concept of monetizing advertisements is abstract. *Id.* at 28a, 51a. If the patent in this case passes § 101 because of its interplay with computers or the Internet, then virtually *any* patent involving the Internet—a rapidly growing body of patents—will pass § 101. And that is because—no matter how favorably the patent claims are construed in Ultramercial’s favor—the fact is they contain no computer programming or code, no reference to any computer interface, and, indeed, no reference to computers *at all*. The only computer-related term in the patent claims is “Internet website.” *See id.* at 2a-3a; Fed. Cir. JA 481-82. A review of the claims (*id.*) makes this crystal clear.

Of course a computer and software is necessary to access and operate an Internet website. But if that is all that is needed to pass § 101, then virtually any abstract idea becomes patentable by drafting a connection to the Internet—even though, as is true here, the patent adds nothing inventive. What usually *is* inventive in this area is the software necessary to implement concepts over the Internet. But

Ultramercial’s patent does not describe any software or programming. Instead, it claims a monopoly over the software or computer methods invented *by others*—like WildTangent—to implement an abstract concept over the Internet. At a minimum, under the decision below, virtually any patent that references the Internet will survive a threshold motion to dismiss—thus subjecting those who practice the abstract concept to the choice of settling (like Hulu and YouTube did in this case) or fighting the suit and facing substantial litigation costs (like WildTangent has done).

The categorical nature of the Federal Circuit’s reasoning—and its broad applicability—are plain on the face of the opinion. Pointing to nothing more than the fact that the patent claims refer to the sale of products “on an Internet website” and that implementing the rudimentary steps involved in monetizing advertisements over the Internet—like “restrict[ing]” access to content until a user has viewed an advertisement—will require computer programming (which no one disputes), the court reasoned that the claims “plainly require that the method be performed *through* computers, on the internet, and in a cyber-market environment.” Pet. App. 30a (emphasis added). And that was enough, in the court’s view, to pass § 101. *Id.* at 33a. Yet, by definition, *any* patent that implements a concept over the Internet inevitably will entail “complex computer programming” and “an extensive computer interface.” *Id.* at 30a, 33a. So as amici Google (at 10), Facebook (at 3-4 & n.2), and Public Knowledge (at 6-8) have explained, the Federal Circuit’s decision establishes a broad-based rule that effectively eliminates § 101 as a meaningful screening tool in this context.

No matter how one slices it, the fact that the claims are implemented over an “Internet website” is the key to the Federal Circuit’s conclusion that the patent involves a “complex computer interface”—and that, in turn, is the key to the Federal Circuit’s conclusion that the patent passes § 101’s gateway test. That analysis opens up a huge loophole to § 101 for computer- and, in particular, Internet-related claims. And that is why this case has drawn such widespread interest.

2. Ultramercial’s related attempt to recast the § 101 issue as a “claim construction” dispute also fails. Opp. 3. To begin with, “the focus of claim construction [is] on defining a discrete claim term,” *Trading Techs. Int’l, Inc. v. Open E Cry, LLC*, 728 F.3d 1309, 1319 (Fed. Cir. 2013), and only “[w]hen the parties raise an *actual dispute* regarding the proper scope” of a claim, *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008) (emphasis added). Here, as the district court concluded, “[t]he patent terms are clear,” Pet. App. 67a, and—while it cries “claim construction”—Ultramercial never identifies a dispute over the meaning of any specific claim term. Moreover, a basic tenet of claim construction is that “the words of a claim ‘are generally given their ordinary and customary meaning.’” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) (citation omitted). The plain language of the claims—which, as discussed, do not refer to computers at all—cannot be disregarded. All this may explain why even the Federal Circuit recognized that claim construction was not necessary before reaching the § 101 issue here. Pet. App. 29a-30a. This Court has also addressed § 101

without formal claim construction. See *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).¹

The issue presented by this case is fundamentally different from claim construction. The question is not what does “at an Internet website” *mean*. Nor is the question whether computer programming or software is necessary to operate or access an Internet website—of course it is. The question is whether a patent’s reference to “an Internet website,” or the fact that a patent attempts to claim the implementation of an abstract idea over the Internet (which will by its nature always require an “extensive computer interface,” Pet. App. 33a), is sufficient to render an otherwise abstract idea patent eligible. That is a § 101 issue, not a claim-construction issue. And it is a question of immense importance given the number of patents that involve the Internet, the importance of the Internet in American life, and the loophole to § 101 that would be created for computer- or Internet-related claims if the Federal Circuit’s decision were allowed to stand.

3. In the end, Ultramercial’s claim-construction argument and heavy reliance on the procedural posture of this case to avoid the § 101 issue only increase the need for review. If Ultramercial is right that “claim construction” is required of the patent in this case before a court may engage in any genuine § 101 analysis, then the decision below will provide a free pass through § 101 at the pleading stage anytime a

¹ It is hardly, as Ultramercial suggests, unusual for § 101 issues to be resolved before “formal claim construction,” whether the issue arises at the motion to dismiss stage or on summary judgment. Indeed, in *CLS Bank* itself there has yet to be formal claim construction. Pet. Supp. Br. 9 n.2.

patent holder cries “claim construction.” And more generally, the Federal Circuit’s decision effectively eliminates § 101’s role at the pleading stage. The Federal Circuit repeatedly admonished that dismissal on § 101 grounds should be “rare,” “the exception,” and is “normally” “improper” and “inappropriate”; that the § 101 analysis is “rife with underlying factual issues”; and that “claim construction normally will be required.” Pet. App. 4a-7a, 17a, 21a; *see also* Pet. 18-19; Pet. Supp. Br. 8-9. As amicus Altera Corporation has explained, *Ultramercial* “takes perhaps the most extreme view” of the numerous conflicting Federal Circuit decisions on these issues. Altera Br. 4.

Ultramercial’s response not only whole-heartedly defends that analysis, but illustrates *how* plaintiffs will exploit it in future cases to avoid § 101 review on a motion to dismiss: characterize everything as a claim-construction issue or a disputed “fact” that cannot be resolved at the pleading stage. That analysis is not only wrong, but highly problematic. There is no reason that § 101 objections, which are *legal* in nature (Google Br. 19-20), cannot be resolved on a motion to dismiss—and they often are. Facebook Br. 12 n.4. Moreover, as many amici stress, there are enormous costs to eliminating § 101 as a threshold screening mechanism at the motion-to-dismiss stage given the nuisance value of even meritless patent infringement suits. *See* Facebook Br. 7-16; Google Br. 18-21; CCIA Br. 10-11, 14; ADA Br. 14; Altera Br. 3-4; EFF Br. 10-12.

That feature of this case—which is not presented by *CLS Bank*—is itself a reason to grant plenary review. If this Court does not review this case, the decision below will still be binding precedent on that issue and § 101 will be a dead letter at the dismissal stage. The

fact that Ultramercial’s opposition so transparently seeks to exploit this aspect of the Federal Circuit’s sweeping decision below increases the need for review.

II. THE FEDERAL CIRCUIT’S DECISION STARKLY CONFLICTS WITH THIS COURT’S PRECEDENTS

As numerous amici explain—and Judge Lourie appears to agree, Pet. App. 36a-37a—the Federal Circuit’s decision directly conflicts with this Court’s precedents in critical respects. Pet. 15-27; Pet. App. 36a-37a; Google Br. 5-23; Public Knowledge Br. 4-14; EFF Br. 15-19. As explained (Pet. 15-17), in direct conflict with *Mayo*, the Federal Circuit relegated § 101 to a “coarse eligibility filter,” and instead substituted §§ 102, 103, and 112—the “substantive criteria for patentability,” Pet. App. 10a—as performing the screening function. *Mayo* explicitly rejected a § 101 approach that would “shift the patent eligibility inquiry entirely to these later sections.” 132 S. Ct. at 1304. Similarly, the Federal Circuit’s heightened “manifestly abstract” standard finds no support in this Court’s cases. Pet. 17-18. Even Ultramercial does not defend either of these aspects of the decision below.

Substantively, the Federal Circuit’s analysis sharply conflicts with *Mayo*’s holding that “simply appending conventional steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable.” 132 S. Ct. at 1300; *see* Pet. 20-23; Google Br. 5-12. It is undisputed that the basic concept underlying the ’545 patent is abstract. Pet. App. 28a. Yet, as explained, the Federal Circuit found the patent eligible because it involved “complex computer programming,” even though the patent

claims do not specify any computer programming at all and, in today's world, any computer off the shelf can access the Internet. The Federal Circuit's finding that the '545 patent is eligible is precisely the kind of result that *Mayo* was intended to guard against. As Google has explained (at 11), "[i]nstead of claiming a specific way of implementing the claimed method through computer programming, the patent broadly and non-specifically claims *all* ways of applying the idea, known or unknown, conventional or inventive." That result is no different than "simply stat[ing] the law of nature [or abstract idea] while adding the words 'apply it,'" which *Mayo* explicitly forbids. 132 S. Ct. at 1294. Or perhaps, "apply it *over the Internet*," which—under the reasoning of *Mayo*—must be forbidden as well.

Rather than responding on the merits, Ultramercial protests that the Federal Circuit discussed and "recited" this Court's cases—and even cited *Mayo* "more than 16 times." Opp. 20-21; *see also id.* at 3. But, as this Court well knows, citing, discussing, and even quoting a decision does not necessarily mean a court has *followed* the decision. And here, the Federal Circuit clearly sought to pave its own way—in the face of this Court's precedents, including *Mayo*. Or, as Judge Lourie put it, the court "set forth [its] own independent views" rather than "faithfully follow[ing]" this Court's decisions. Pet. App. 36a-37a (concurring).

III. THE GRANT OF CERTIORARI IN *CLS BANK* ONLY MAKES THIS CASE MORE CERTWORTHY

This Court's grant of certiorari in *CLS Bank* confirms the importance of providing guidance on the application of § 101 to computer-implemented methods. And Ultramercial's response confirms why—to provide

the needed guidance and restore § 101 as a meaningful screening mechanism in this area—the Court should grant plenary review in this case as well.

In *CLS Bank International v. Alice Corp. Pty. Ltd.*, the divided Federal Circuit held that the computer-implemented claims at issue were not patent eligible. 717 F.3d 1269, 1273 (Fed. Cir. 2013). If this Court affirms, then holders of patents reciting the Internet will still use *Ultramercial*’s holding that such patents are eligible to circumvent *CLS Bank*—just as the Federal Circuit and *Ultramercial* have used the reasoning in the decision below to side-step *Mayo*. See *supra* at 7-8. If this Court reverses or vacates *CLS Bank* and indicates the patent claims are or may be eligible, then patent holders will take even more umbrage in claiming that patents referencing the Internet pass § 101—and patent drafters will continue to write vague patents broadly claiming abstract ideas.

Moreover, as a practical matter, the Court’s substantive ruling in *CLS Bank* will have little effect if *Ultramercial*’s procedural rulings and sweeping language gutting § 101 at the dismissal stage is left in place. Pet. App. 4a-13a. As numerous amici have stressed, one of the most serious issues in patent litigation is non-practicing entities’ ability to assert invalid patents and extract nuisance settlements because of the high cost of discovery and litigation. See, e.g., Google Br. 15-21; ADA Br. 3-11, 14. Giving patents a pass through § 101 at the motion-to-dismiss stage exacerbates this problem. As Facebook explained, “by changing patentable subject matter from a question of law to a question of fact, the *Ultramercial* decision makes it practically impossible

to resolve patentable subject matter early in litigation.” Facebook Br. 7 (heading).

Reviewing this case alongside *CLS Bank* will also provide needed guidance because the patent at issue here—unlike the patent in *CLS Bank*—refers to the Internet. Commerce over the Internet is vastly expanding, and there are already thousands of patents that refer to the Internet. Pet. 30. Review of this important—and related—category of computer-implemented patents would complement the Court’s review in *CLS Bank*. Indeed, if anything, “[t]his case is thus *more* indicative of the patents causing harm to innovators today [than *CLS Bank*].” EFF Br. 24 (emphasis added). And no matter how this Court comes out in *CLS Bank*, the next obvious question is: What about claims that reference the Internet? Reviewing this case along with *CLS Bank* will give the Court two concrete settings in which to opine on the application of computer-implemented methods. And reviewing the cases at the same time, and in juxtaposition, would aid the Court’s decisional process. This Court has previously found it advantageous to review different manifestations of the same overarching problem in the same term. *See, e.g., Skilling v. United States*, 130 S. Ct. 2896 (2010); *Black v. United States*, 130 S. Ct. 2963 (2010); *Weyhrauch v. United States*, 130 S. Ct. 2971 (2010); *see also* Pet. Supp. Br. 10.

Finally, plenary review of this case is warranted because, as Ultramercial touts (at 20-21), the Federal Circuit is unlikely to change its view even if this Court issues a second GVR order. In the last go around, this Court instructed the Federal Circuit to reconsider its decision in light of *Mayo*, and the Federal Circuit

responded by *further* diminishing the role of § 101 in direct contravention of *Mayo*. Pet. 16-27; Google Br. 4. Ultramercial apparently views the Federal Circuit’s refusal to alter course as a virtue and reason to *deny* review. But the recent trend involving the Federal Circuit’s failure to shift ground in light of this Court’s decisions might lead one to another conclusion. Pet. 2. In any event, Ultramercial’s own response—not to mention the Federal Circuit’s decision on remand—confirms that, while a “hold and GVR” may often be an acceptable option, it is not sufficient here.²

² *CLS Bank* has been calendared for oral argument on March 31, 2014. If this Court wished, it could readily fashion a briefing schedule to permit this case to be briefed and heard the same day—*e.g.*, petitioner’s brief due February 14, Ultramercial’s brief due March 17; and petitioner’s reply brief due March 24. That schedule would place any burden of expedition solely on petitioner.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

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