

Nos. 2015-1080, -1081, -1082, -1083, -1084, -1085,
-1086, -1087, -1088, -1089, -1090, -1092, -1093,
-1094, -1095, -1096, -1097, -1098, -1099, -1100, -1101

**United States Court of Appeals
for the Federal Circuit**

MCRO, INC., DBA PLANET BLUE,
Plaintiff-Appellant,

v.

BANDAI NAMCO GAMES AMERICA INC., NAUGHTY DOG, INC.,
KONAMI DIGITAL ENTERTAINMENT, INC., SEGA OF AMERICA,
INC., ELECTRONIC ARTS, INC., OBSIDIAN ENTERTAINMENT,
INC., DISNEY INTERACTIVE STUDIOS, INC., SQUARE ENIX, INC.,
NEVERSOFT ENTERTAINMENT, INC., TREYARCH CORPORATION,
CAPCOM USA, INC., SONY COMPUTER ENTERTAINMENT
AMERICA LLC, ATLUS U.S.A., INC., SUCKER PUNCH
PRODUCTIONS, LLC, INFINITY WARD, INC., LUCASARTS, A
DIVISION OF LUCASFILM ENTERTAINMENT CO. LTD. LLC,
WARNER BROS. INTERACTIVE ENTERTAINMENT, A DIVISION OF
WARNER BROS. HOME ENTERTAINMENT INC., ACTIVISION
PUBLISHING, INC., BLIZZARD ENTERTAINMENT, INC., VALVE
CORPORATION, CODEMASTERS USA GROUP, INC.,
CODEMASTERS SOFTWARE INC., CODEMASTERS, INC., AND THE
CODEMASTERS SOFTWARE COMPANY LIMITED,
Defendants-Appellees.

*Appeals from the United States District Court for the Central District of
California in Nos. 2:12-CV-10322, 2:12-cv-10323, 2:12-cv-10327,
2:12-cv-10329, 2:12-cv-10331, 2:12-cv-10333, 2:12-cv-10335, 2:12-cv-
10337, 2:12-cv-10338, 2:12-cv-10341, 2:12-cv-10342, 8:13-cv-01870,
8:13-cv-01874, 2:14-cv-00332, 2:14-cv-00336, 2:14-cv-00352, 2:14-cv-
00358, 2:14-cv-00383, 2:14-cv-00389, 2:14-cv-00417, 2:14-cv-00439,
Judge George H. Wu.*

**BRIEF OF AMICI CURIAE SAP AMERICA, INC.,
J. C. PENNEY CORPORATION, INC., AND
SAMSUNG ELECTRONICS CO., LTD. IN SUPPORT OF
REHEARING EN BANC (IN SUPPORT OF NEITHER PARTY)**

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October 26, 2016

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

McRO, Inc. v. Bandai Namco Games America
Case No. 2015-1080

CERTIFICATE OF INTEREST

Counsel for Amici John D. Vandenberg certifies the following:

1. Full name of every party or amicus curiae represented by me is:

SAP America, Inc., J. C. Penney Corporation, Inc., and Samsung Electronics Co., Ltd.

2. Name of Real Party in interest (please only include any real party in interest NOT identified in question 3) represented by me is:

Not applicable.

3. Parent corporations and publicly held companies that own 10% percent or more of stock of the party or amicus curiae:

SAP America, Inc. is a privately held corporation and is a wholly owned subsidiary of SAP SE.

J. C. Penney Corporation, Inc. is a publicly held corporation. J. C. Penney Corporation, Inc. is a wholly owned subsidiary of J. C. Penney Company, Inc.

Samsung Electronics Co., Ltd. has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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:

None appeared in the trial court. John D. Vandenberg and Salumeh R. Loesch of Klarquist Sparkman, LLP, appear in this court for Amici.

October 26, 2016

/s/John D. Vandenberg
Signature of counsel

John D. Vandenberg
Printed name of counsel

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INTEREST OF AMICI CURIAE¹

As further explained in their accompanying motion, *Amici* are active participants in our patent system and need reasonable predictability on the fundamental issue of what can be patented.

SUMMARY OF ARGUMENT

The panel's opinion introduces without explanation a new "preemption" test at odds with the standard "preemption" analysis. This is certain to confuse judges and examiners and further decrease predictability of patent-eligibility determinations. *Amici* therefore ask the full Court to rehear this case and decide at least this question raised by the panel's opinion:

When enforcing the abstractness exclusion to patent eligibility, is the underlying concern whether the claim preempts (in its technological environment) (1) substantially all uses of the claim's abstract idea or, instead, (2) *alternatives* to the claim's idea?

¹ Pursuant to Fed. Cir. R. 35(g), this brief is accompanied by a motion for leave. This brief was not authored in whole or in part by a party or a party's counsel. No monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel.

ARGUMENT

I. THE OPINION'S PREEMPTION TEST (ARE ALTERNATIVES TO THE CLAIM'S IDEA FORECLOSED?) IS NOT THE STANDARD PREEMPTION ANALYSIS (ARE ALL USES OF THE CLAIM'S IDEA FORECLOSED?).

McRO's patent claims as construed by the panel are directed to a specific mathematical algorithm. They recite "specific, limited mathematical rules," namely "rules that evaluate sub-sequences consisting of multiple sequential phonemes," and are "focused on . . . the automatic use of [those] rules of a particular type." *McRO, Inc. v. Bandai Namco Games Am. Inc.*, --F.3d--, 2016 WL 4896481, at *6, *8 (Fed. Cir. Sept. 13, 2016).

The standard "preemption" analysis would ask whether these claims foreclose (preempt) substantially all uses (implementations), in this technical field, of the specific mathematical algorithm they claim. But the panel did not ask that. It did not ask whether these claims preempt substantially all uses in this field of the claims' "particular type" of rules. Instead, the panel upheld the claims primarily under a new and different theory of preemption: it approved the claims because they do not foreclose "alternative discoveries" or "alternative rules-based methods." *Id.* at *8, *9. Instead of asking whether the public can

use *the claim's idea* without infringing the claim, the panel asked whether the public could find some *alternative idea* to use. This entirely different test clothed in the same standard “preemption” label is bound to confuse judges and examiners.

The panel does not justify or explain its “alternative discoveries” preemption test. It cites no precedent for this test; it does not try to reconcile it with the standard preemption analysis; it does not explain how to choose the alternatives to analyze or why it here chose “all rules-based” methods; and it does not explain how a patent claim directed to one specific algorithm can ever preempt alternative algorithms.

This new preemption test is worlds apart from the standard preemption analysis. Consider, for example, three alternative algorithms for solving a mathematical problem, and a patent claim directed to only one of those algorithms. Under the new preemption test (are *alternatives* to the claim's idea foreclosed?), this claim would be patent-eligible. Under the standard preemption analysis (are all uses of the *claim's idea* foreclosed?), however, this claim might be invalid under the abstractness exclusion.

II. GOVERNING PRECEDENTS ASK WHETHER THE CLAIM PREEMPTS THE CLAIM'S IDEA, NOT ALTERNATIVES TO THE CLAIM'S IDEA.

Some patent claims reciting an abstract idea preempt substantially all uses of that idea in the claim's technical field, and some do not. The standard "preemption" analysis determines which of these two types of claims is present. Both the Supreme Court and this Court have applied this standard view of preemption, namely preemption of the claim's idea. This is most clearly illustrated by *Gottschalk v. Benson*, 409 U.S. 63, 71, 73–74 (1972). The claims in *Benson* were narrowly directed to a specific seven-step algorithm for converting binary-coded decimal ("BCD") numerals to pure binary numerals. *Id.* at 64, 73-74. As in the above hypothetical, the *Benson* opinion identifies two alternative algorithms for solving the same mathematical problem as the claims' algorithm, neither alternative being claimed. *Id.* at 66-67. One alternative was to look up the conversion in a table, and the other was the different way a human would do the arithmetic: "The conversion of BCD numerals to pure binary numerals can be done mentally through use of the foregoing table. The method sought to be patented varies the ordinary arithmetic

steps a human would use by changing the order of the steps, changing the symbolism for writing the multiplier used in some steps, and by taking subtotals after each successive operation.” *Id.* at 67. The narrow patent claims did not recite looking up the conversion in a table, or the steps a human would use. But this failure to preempt alternative ideas was irrelevant to the Supreme Court.

The only preemption that mattered to the *Benson* Court was whether the claim preempted substantially all uses of the narrow, specific, limited seven-step algorithm it claimed. The *Benson* Court held that the claim did preempt substantially all practical uses of that claimed idea (“the mathematical formula”) and therefore could not be granted: “The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that, if the judgment below is affirmed, the patent would *wholly preempt the mathematical formula* and, in practical effect, would be a patent of the algorithm itself.” *Id.* at 71-72 (emphasis added).

The Supreme Court has so applied “preemption” ever since. In *Diamond v. Diehr*, 450 U.S. 175 (1981), the Court again considered preemption of *the claim’s idea*, not alternatives to it:

Their process admittedly employs a well-known mathematical equation, but they *do not seek to preempt the use of that equation*. Rather, they seek only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process. These include 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 (emphasis added).

The Supreme Court applies this same standard preemption analysis when analyzing the parallel “natural law” exclusion to patent eligibility. In *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012), the Court expressly rejected the theory that claims reciting specific, narrow, limited laws of nature—which of course leave open more alternatives than do broader claims—are patent eligible:

Prometheus argues that, because the particular laws of nature that its patent claims embody are narrow and specific, the patents should be upheld. ...

But the underlying functional concern here is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor. A patent upon a narrow law of nature may not inhibit future research as seriously as would a patent upon Einstein’s law of relativity, but the creative value of the discovery is also considerably smaller. And, as

we have previously pointed out, even a narrow law of nature (such as the one before us) can inhibit future research.

In any event, our cases have not distinguished among different laws of nature according to whether or not the principles they embody are sufficiently narrow. *See, e.g., Flook*, 437 U. S. 584 (holding narrow mathematical formula unpatentable). And this is understandable. Courts and judges are not institutionally well suited to making the kinds of judgments needed to distinguish among different laws of nature. And so the cases have endorsed a bright-line prohibition against patenting laws of nature, mathematical formulas and the like, which serves as a somewhat more easily administered proxy for the underlying “building-block” concern.

Id. at 1303 (emphasis in original) (citations omitted).

This Court has applied this standard preemption analysis of *Benson*, *Diehr* and *Mayo*.

The two primary concurring opinions in *CLS Bank* agreed on this understanding of preemption. *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1281 (Fed. Cir. 2013) (en banc) (Lourie, J., concurring) (“[B]road claims do not necessarily raise § 101 preemption concerns, and seemingly narrower claims are not necessarily exempt.”); *id.* at 1300 (Rader, J., concurring-in-part) (“It is not the breadth or narrowness of the abstract idea that is relevant, but whether the claim covers every practical application of that abstract idea.”).

In *Accenture Global Servs. v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344-45 (Fed. Cir. 2013), the claims recited an abstract idea involving, as here, the use of rules. The court assessed preemption of the claimed “idea itself,” not preemption of alternatives to that idea:

Having identified the abstract idea of the claim, we proceed with a preemption analysis to determine whether “additional substantive limitations ... narrow, confine, or otherwise tie down the claim so that, in practical terms, *it does not cover the full abstract idea itself.*”

Id. at 1344-45 (emphasis added) (citations omitted).

In *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015), the claims were “directed to the concept of offer-based price optimization.” They did not preempt alternative price optimization techniques. But that was irrelevant to the abstractness exclusion. “*That the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract.*” *Id.* at 1362-63 (emphases added).

III. THE PANEL DECISION APPLIES A NEW TEST, ASKING INSTEAD WHETHER THE CLAIM PREEMPTS ALTERNATIVES TO THE CLAIM’S IDEA.

The panel’s new and unexplained preemption test is not mere dictum. It is central to the panel’s decision. After determining that the

claims focused on a specific idea using rules of a particular type, the panel then analyzed at length whether the claims foreclosed a class of *alternatives* to that idea:

The narrower concern here is *whether the claimed genus of rules preempts all techniques for automating 3-D animation that rely on rules. Claim 1 requires that the rules be rendered in a specific way: as a relationship between subsequences of phonemes, timing, and the weight to which each phoneme is expressed visually at a particular timing (as represented by the morph weight set). The specific structure of the claimed rules would prevent broad preemption of all rules-based means of automating lip synchronization, unless the limits of the rules themselves are broad enough to cover all possible approaches. There has been no showing that any rules-based lip-synchronization process must use rules with the specifically claimed characteristics. ...*

The only information cited to this court about the relationship between speech and face shape points to the conclusion that *there are many other possible approaches to automating lip synchronization using rules. ... This complex interaction permits development of alternative rules-based methods of animating lip synchronization and facial expressions of three-dimensional characters, such as simulating the muscle action underlying characters' facial expressions. Under these circumstances, therefore, we need not assume that future alternative discoveries are foreclosed.*

McRO, 2016 WL 4896481, at *9 (footnote omitted; emphases added).

This new preemption test created by the panel is at odds with the preemption analysis employed by this Court and the Supreme Court.

CONCLUSION

The full Court's review is needed because the panel's new, different and unexplained "preemption" test clouds an important and common threshold issue (eligibility) in patentability and invalidity determinations.

Respectfully submitted.

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CERTIFICATE OF SERVICE

I, Elissa Matias, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by KLARQUIST SPARKMAN, LLP, counsel for the Amici Curiae, to print this document. I am an employee of Counsel Press.

On **October 26, 2016** counsel has authorized me to electronically file the foregoing **BRIEF OF AMICI CURIAE SAP AMERICA, INC., J. C. PENNEY CORPORATION, INC., AND SAMSUNG ELECTRONICS CO., LTD. IN SUPPORT OF REHEARING EN BANC (IN SUPPORT OF NEITHER PARTY)** with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to all counsel registered as CM/ECF users.

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Eighteen paper copies will be filed with the Court within the time allowed by this Court's rules.

October 26, 2016

/s/Elissa Matias
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