

No. 18-1223

In the Supreme Court of the United States

MARIO VILLENA, ET AL., PETITIONERS

v.

ANDREI IANCU, DIRECTOR,
UNITED STATES PATENT AND TRADEMARK OFFICE

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

BRIEF FOR THE RESPONDENT IN OPPOSITION

NOEL J. FRANCISCO
*Solicitor General
Counsel of Record*

JOSEPH H. HUNT
Assistant Attorney General

SCOTT R. MCINTOSH
MELISSA N. PATTERSON
Attorneys

*Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217*

QUESTION PRESENTED

Whether the court of appeals correctly affirmed the United States Patent and Trademark Office's rejection of several claims in petitioners' patent application on the ground that those claims are not patent-eligible under 35 U.S.C. 101 because they are directed to abstract ideas.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 2a-7a) is not published in the Federal Reporter but is reprinted at 745 Fed. Appx. 374. The decision of the Patent Trial and Appeal Board (Pet. App. 14a-25a) is not published in the *United States Patents Quarterly* but is available at 2016 WL 7635026. The decision of the Board on a request for rehearing (Pet. App. 8a-13a) is not published.

JURISDICTION

The judgment of the court of appeals was entered on August 29, 2018. A petition for rehearing was denied on October 31, 2018 (Pet. App. 31a-32a). The petition for a writ of certiorari was filed on January 28, 2019. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Section 101 of the Patent Act of 1952, 35 U.S.C. 1 *et seq.*, provides that “[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 therefor, subject to the conditions and requirements of this title.” 35 U.S.C. 101. This Court has long recognized that Section 101 “contains an important implicit exception”: “Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (*Alice*) (citation omitted). These “‘basic tools of scientific and technological work’ * * * lie beyond the domain of patent protection.” *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013) (citation omitted). “[W]ithout this exception, there would be considerable danger that the grant of patents would ‘tie up’ the use of such tools and thereby ‘inhibit future innovation premised upon them,’” a result that “would be at odds with the very point of patents.” *Ibid.* (citation omitted).

“[A]n invention is not rendered ineligible for patent,” however, “simply because it involves an abstract concept.” *Alice*, 573 U.S. at 217. “Applications of such concepts to a new and useful end * * * remain eligible for patent protection.” *Ibid.* (brackets and internal quotation marks omitted). This Court has articulated a two-part “framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Ibid.* “First, [a court] determine[s] whether the claims at issue are directed to one of those patent-ineligible concepts.” *Ibid.* If so, the court then

asks “what else is there in the claims,” by “consider[ing] 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.* (brackets and citation omitted).

2. Petitioners filed with the United States Patent and Trademark Office (USPTO) U.S. Patent Application No. 13,294,044, titled “Systems and Methods for Property Information Development, Distribution and Display.” Pet. App. 2a-3a. The application concerns a system for “distributing real-estate related information” using “automated valuation method (AVM)” values. *Id.* at 14a-15a. The examiner rejected the three claims at issue here under Section 101. The examiner concluded that those claims are not patent-eligible because they are directed to the abstract idea of “providing updated AVM * * * values to customers,” which the examiner found is “a method of organizing human activities and a fundamental economic practice that has long been prevalent in our system of commerce such as in the real estate industry.” *Id.* at 17a; see *id.* at 17a-18a. The examiner explained that a user’s receipt of information “is routine and conventional in the computing arts,” and that “producing a plurality of AVM values is simply the executing of a mathematical algorithm.” *Id.* at 17a-18a. The examiner further determined that the claims involved no innovation in computing. *Ibid.*

The Patent Trial and Appeal Board (Board) affirmed in relevant part. Pet. App. 18a-20a. It “agree[d] with the Examiner that” the claims were “directed to an abstract idea, i.e., property valuation.” *Id.* at 19a. The Board found it “evident from the claim language itself

that the ‘automated’ valuation is based on mathematical algorithms.” *Id.* at 18a. The Board further explained that “the application of a mathematical algorithm to a general computer” did not represent a “technological improvement.” *Id.* at 19a-20a.

Petitioners sought rehearing by the Board. Pet. App. 13a. The Board granted that request “to the extent that [it] ha[d] reconsidered [its] Decision,” but the Board was “not persuaded that [it had] misapprehended or overlooked any points of law or fact,” and it declined to alter its decision. *Ibid.*; see *id.* at 8a-13a.

3. The court of appeals affirmed in an unpublished opinion. Pet. App. 2a-7a. The court agreed with the Board that petitioners’ claims are “directed to an abstract idea”: the “familiar concept of property valuation.” *Id.* at 5a. The court concluded that, “[l]ike the risk hedging in *Bilski* [*v. Kappos*, 561 U.S. 593 (2010),] and the concept of intermediated settlement in *Alice*,” property valuation “is ‘a fundamental economic practice long prevalent in our system of commerce.’” Pet. App. 5a-6a (quoting *Alice*, 573 U.S. at 219). The court observed that “[p]rospective sellers and buyers have long valued property and doing so is necessary to the functioning of the residential real estate market.” *Id.* at 6a.

The court of appeals concluded that the claims at issue here do “not contain an inventive concept sufficient” to render them patent eligible because the elements “simply recite an abstract idea executed using computer technology, such as ‘one or more computers’ and a ‘remote terminal’ on a ‘publically accessible network.’” Pet. App. 6a (citation omitted). The court further determined that the “ordered combination” of the elements did not change the analysis, as the claims involve

“the basic steps of receiving user input, producing property valuations, and providing display information,” making this “a classic case of implementing an abstract idea on a computer, which is not eligible under *Alice*.” *Ibid.* The court also observed that the “pre-processing limitations” in the claims are merely “directed to using a computer to perform routine computer activity.” *Ibid.* The court of appeals rejected petitioners’ contention that the USPTO’s decision was not supported by substantial evidence, finding that petitioners did “not point to any unresolved factual disputes * * * here.” *Id.* at 7a.

ARGUMENT

The court of appeals correctly upheld the USPTO’s decision, which rejected the relevant claims in petitioners’ patent application on the ground that they are directed to abstract ideas that are patent-ineligible under Section 101. The court’s decision does not conflict with any decision of this Court and does not warrant further review.

1. The claims at issue here (claims 57-59) are directed to a system for a computer-based, “map-like” display of real property values. See Pet. App. 3a (representative claim 57). Applying this Court’s “two-step framework,” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 217 (2014), the court of appeals correctly held that those claims are patent-ineligible under 35 U.S.C. 101. Pet. App. 5a-7a. First, the court correctly determined that the claims are “directed to an abstract idea”: “property valuation,” which is “a fundamental economic practice.” *Id.* at 5a. Second, the court correctly found that the claims “do[] not contain an inventive concept sufficient to transform the nature of the claim into a patent-eligible application.” *Id.* at 6a (citation and internal quotation marks omitted); see *id.* at 5a-6a. As the court observed,

this is “a classic case of implementing an abstract idea on a computer, which is not eligible under *Alice*.” *Id.* at 6a.

Petitioners contest (Pet. 22-23) those determinations, suggesting that the well-established concept of “human property valuation” is different from property valuation performed using their automated-valuation-method algorithm. That contention lacks merit. “[S]imply implementing a mathematical principle on a physical machine, namely a computer, is not a patentable application of that principle.” *Alice*, 573 U.S. at 222 (brackets and citation omitted).

Petitioners also colorfully assert (Pet. 16-29) a variety of other putative errors in the analyses performed by the USPTO and the court of appeals. Those fact-bound, case-specific assertions of error in the application of this Court’s precedent do not warrant this Court’s review. See Sup. Ct. R. 10.

2. Petitioners additionally invite the Court (Pet. 30-40) to abandon its longstanding precedent construing Section 101 as deeming certain subject matter patent-ineligible. But they identify no sound basis for reconsidering the Court’s precedent in this case, in which the application of that precedent is especially straightforward.

Although further review is not warranted in this case, the Court recently invited this Office to file briefs expressing the views of the United States concerning two other petitions for writs of certiorari that raise Section 101 questions. *HP Inc. v. Berkheimer*, No. 18-415 (filed Sept. 28, 2018); *Hikma Pharms. USA Inc. v. Vanda Pharms., Inc.*, No. 18-817 (filed Dec. 27, 2018). The Court accordingly may wish to hold the petition for a writ of certiorari in this case pending the disposition of those petitions.

CONCLUSION

The petition for a writ of certiorari should be denied. In the alternative, the petition should be held pending the disposition of the petitions for writs of certiorari in *HP Inc. v. Berkheimer*, No. 18-415 (filed Sept. 28, 2018), and *Hikma Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals, Inc.*, No. 18-817 (filed Dec. 27, 2018), and then disposed of as appropriate in light of those rulings.

Respectfully submitted.

NOEL J. FRANCISCO
Solicitor General
JOSEPH H. HUNT
Assistant Attorney General
SCOTT R. MCINTOSH
MELISSA N. PATTERSON
Attorneys

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