MORRIS, NICHOLS, ARSHT & TUNNELL LLP
1201 NORTH MARKET STREET
P.O. BOX 1347
WILMINGTON, DELAWARE 19899-1347

(302) 658-9200
(302) 658-3989 FAX

JACK B. BLUMENFELD
(302) 351-9291
jblumenfeld@mnat.com

May 23, 2018

The Honorable Richard G. Andrews
United States District Court
for the District of Delaware
844 North King Street
Wilmington, DE 19801

VIA ELECTRONIC FILING

Re: *Acceleration Bay LLC*; C.A. Nos. 16-453 (RGA); 16-454 (RGA); and 16-455 (RGA)

Dear Judge Andrews:

At the May 17, 2018 oral argument, Defendants explained their position that there are two separate tests for patent ineligibility: a Statutory Eligibility Test and an *Alice* Eligibility Test. First, the Statutory Eligibility Test requires that the claim be (1) construed and (2) compared to the four categories listed in 35 U.S.C. §101. If the claim is not directed to one of the four statutory categories in §101, the claim is patent ineligible and the analysis ends there. Defendants explained that because the computer readable media claims at issue here were properly construed to cover carrier waves, they were patent ineligible under the Statutory Eligibility Test. *See In re Nuijten*, 500 F.3d 1346, 1354 (Fed. Cir. 2007) ("The claim must be within at least one category, so the court can proceed to other aspects of the § 101 analysis.")

Second, if the claim is directed to one of the four statutory categories under §101, the *Alice* Eligibility Test is performed. The *Alice* test requires that the subject matter of the claim be "considered as a whole" and evaluated for whether it is directed to an abstract idea, law of nature or physical phenomena. Plaintiff argued that, under that "considered-as-a-whole" analysis, the asserted computer readable media claims should be considered method claims and therefore patent eligible. (Tr. 64:2-7; 72:9-14). The *Cybersource* case relied on by Plaintiff did not address the Statutory Eligibility Test. It addressed only the *Alice* Test. Accordingly, the holding in *Cybersource* cannot be considered to have altered the Statutory Eligibility Test to include a "considered-as-whole" inquiry, because the Court simply did not consider the Statutory Eligibility Test. It found the claims at issue to be ineligible under *Alice* and did not address whether those same claims would also be invalid under the Statutory Eligibility Test.

The Court asked the parties to submit authority dealing with statutory patent ineligibility after the 2011 *Cybersource* case. Accordingly, Defendants refer the Court to the following authority, which confirms that the Statutory Eligibility Test is a separate and distinct test for patent eligibility from the *Alice* Eligibility Test and that the asserted computer readable media claims at issue here are all invalid as encompassing patent ineligible carrier waves:

1. *Mentor Graphics Corp. v. Eve-USA, Inc.*, 851 F.3d 1274, 1294 (Fed. Cir. 2017), cited in Defendants' briefs, resolves this issue in Defendants' favor. There, the Federal Circuit found that claims 19, 24, 28, 30 and 33 of U.S. Patent No. 7,069,526 to be patent ineligible because "the claims embrace unpatentable electromagnetic carrier waives." The claims at issue in *Mentor Graphics* are similar to those at issue here, in that they were directed to Computer Readable Medium containing instructions for performing a method. For example, claim 19 of the '526 patent at issue in *Mentor Graphics* recited:

> 19. A machine-readable medium containing instructions that when executed on a data processing system causes the system to perform a method for debugging an electronic system having instrumentation circuitry included therein, wherein the electronic system is described with a hardware description language (HDL), the method comprising:
>
> activating at least one aspect of the instrumentation circuitry available for debugging the electronic system via the instrumentation circuitry, the aspect selected from the group consisting of design visibility, design patching and design control;
>
> determining configuration information based on the certain design visibility, design patching or design control aspects that are activated;
>
> configuring the instrumentation circuitry in accordance with the configuration information;
>
> receiving debug data from the configured instrumentation circuitry operating within the electronic system;
>
> translating the debug data into HDL-related debug information; and
>
> relating the HDL-related debug information to the HDL description of the electronic system.

Although the CRM claims at issue in *Mentor Graphics* were directed to method steps, the Federal Circuit did not engage in the *Alice* analysis proposed by Plaintiff to consider the invention "as a whole" and convert those claims into method claims for purposes of deciding the Statutory Eligibility Test. Rather, the Federal Circuit held the claims to be patent ineligible because they "cover carrier signals themselves. The presence of other acts recited in the claims does not transform a claim covering a thing – the signal itself – into one covering the process by which that thing is made…[W]hen a claim covers both statutory and non-statutory embodiments, it is not eligible for patenting." *Id.* (internal citations and quotation marks omitted).

2. *Allvoice Developments US, LLC v. Microsoft Corp.*, 612 F. App'x 1009, 1017 (Fed. Cir. 2015) (nonprecedential). The Federal Circuit, citing to both *Nuitjen* and *Alice*, confirmed that the test for statutory eligibility is separate and apart from the test for *Alice* eligibility:

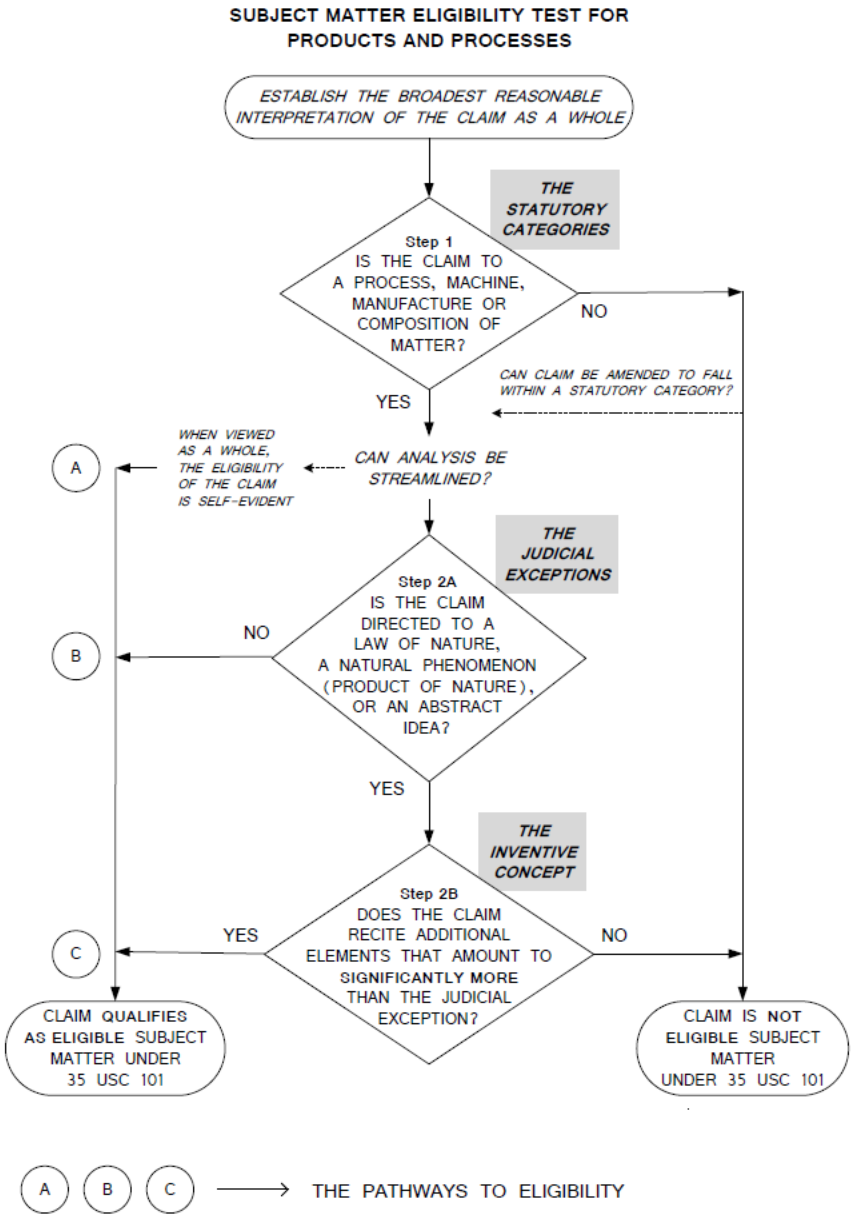
> Section 101 thus specifies four independent categories of inventions or discoveries that are eligible for protection: processes, machines, manufactures, and compositions of matter. … If a claim is drawn to subject matter that falls outside the four statutory categories of § 101, it is not patent eligible. *In re Nuitjen*, 500 F.3d 1346, 1354 (Fed. Cir. 2007). This is true without regard to whether it might otherwise be ineligible because it encompasses a law of nature, natural phenomenon, or abstract idea. *See Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 124 S. Ct. 2347, 2354 (2014).

3. *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1348 (Fed. Cir. 2014). The Federal Circuit addressed both the Statutory Eligibility Test and *Alice* Eligibility Test tests and confirmed that they are separate. At issue were (1) apparatus claims directed to a "device profile" claims and (2) method claims directed to a method for creating a device profile. The Court noted the statutory requirement that "[f]or all categories except process claims, the eligible subject matter must exist in some physical or tangible form" and found that apparatus "device profile" claims, as properly construed, were not directed to statutory subject matter. The Court rejected the patentee's argument that the claimed "device profile" was in fact "hardware or software within a digital image processing system," finding that "position is not supported by the claim language." Regarding the method claims, the Court noted they were in a statutory category (process). However, the Court went on to apply the *Alice* Eligibility Test, and found that, when "considered as a whole," the method claims were "directed to an abstract idea" and "not patent eligible under section 101."

4. *Kinglite Holdings Inc. v. Micro-Star Int'l Co.*, No. CV1403009JVSPJWX, 2016 WL 4205356, at *3, 9-10 (C.D. Cal. May 26, 2016): At issue were both "computer useable medium" claims and method claims. The court conducted a separate "*Alice* Analysis" and "*Nuitjen* Analysis." First, the court looked at the "central idea" of the claims and found that both the computer useable medium and method claims were invalid under Alice Eligibility Test as being directed to an abstract idea. It noted that "a computer readable medium limitation or digital data limitation do not convert a patent-ineligible idea into a patent-eligible one." The court conducted a separate "*Nuitjen* Analysis," but only for the "computer useable medium" claims. For that test, the court focused on claim construction and concluded the claims "encompass transitory forms of signal transmission" and are therefore "invalid because those transitory embodiments are not directed to statutory subject matter."

5. *Icon Health & Fitness, Inc. v. Garmin Int'l*, No. 1:11-CV-166-RJS, 2015 WL 5714248, at *3–5 (D. Utah Sept. 29, 2015), aff'd sub nom. Icon Health & Fitness, Inc. v. Polar Electro Oy, 656 F. App'x 1008 (Fed. Cir. 2016). The court granted judgment on the pleadings after finding the claims, properly construed, covered a "data signal" that was not limited to statutory subject matter. The court rejected patentee's argument that the "data signal" claims were actually process claims, finding: "Although claims 1 and 2 mention certain acts, they describe the data signal and not the process through which the data signal is created."

6. The Manual of Patent Examining Procedure (MPEP) 2106 confirms that there are both Statutory and Alice Eligibility Tests, and that the former focuses on claim construction, and the latter on the claim as a whole.



See The United States Patent and Trademark Office – Manual of Patent Examining Procedure at Section 2016 (located at https://www.uspto.gov/web/offices/pac/mpep/s2106.html).

Respectfully,

/s/ Jack B. Blumenfeld

Jack B. Blumenfeld (#1014)

JBB/dlw
cc: All Counsel of Record (Via Electronic Mail)