# United States Court of Appeals for the Federal Circuit

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**INTELLECTUAL VENTURES I LLC,**
**INTELLECTUAL VENTURES II LLC,**
*Plaintiffs-Appellants*

**v.**

**ERIE INDEMNITY COMPANY, ERIE INSURANCE EXCHANGE, ERIE INSURANCE PROPERTY & CASUALTY COMPANY, ERIE INSURANCE COMPANY, FLAGSHIP CITY INSURANCE COMPANY, ERIE FAMILY LIFE INSURANCE COMPANY, OLD REPUBLIC GENERAL INSURANCE GROUP, INC., OLD REPUBLIC INSURANCE COMPANY, OLD REPUBLIC TITLE INSURANCE GROUP, INC., OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY,**
*Defendants-Appellees*

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2016-1128, 2016-1132

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Appeals from the United States District Court for the Western District of Pennsylvania in Nos. 1:14-cv-00220-MRH, 2:14-cv-01130-MRH, Judge Mark R. Hornak.

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Decided: March 7, 2017

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CHRISTIAN JOHN HURT, Nix Patterson & Roach LLP, Dallas, TX, argued for plaintiffs-appellants. Also represented by DEREK TOD GILLILAND, Daingerfield, TX.

GREGORY H. LANTIER, Wilmer Cutler Pickering Hale and Dorr LLP, Washington, DC, argued for defendants-appellees Erie Indemnity Company, Erie Insurance Exchange, Erie Insurance Property & Casualty Company, Erie Insurance Company, Flagship City Insurance Company, Erie Family Life Insurance Company. Also represented by RICHARD ANTHONY CRUDO, JAMES QUARLES, III; MONICA GREWAL, Boston, MA; DAVID CHARLES MARCUS, Los Angeles, CA.

VERNON M. WINTERS, Sidley Austin LLP, San Francisco, CA, argued for defendants-appellees Old Republic General Insurance Group, Inc., Old Republic Insurance Company, Old Republic Title Insurance Group, Inc., Old Republic National Title Insurance Company. Also represented by ALEXANDER DAVID BAXTER; ERIK JOHN CARLSON, Los Angeles, CA; RUSSELL E. CASS, Chicago, IL.

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Before PROST, *Chief Judge,* WALLACH and CHEN, *Circuit Judges.*

PROST, *Chief Judge*.

Intellectual Ventures I LLC and Intellectual Ventures II LLC (collectively, "IV") appeal from a final decision of the United States District Court for the Western District of Pennsylvania finding all claims of U.S. Patent No. 6,510,434 ("'434 patent"), U.S. Patent No. 6,519,581 ("'581 patent"), and U.S. Patent No. 6,546,002 ("'002 patent") ineligible under 35 U.S.C. § 101, and dismissing IV's infringement claims of the '581 patent for lack of standing. For the reasons discussed below, we affirm-in-part, vacate-in-part, and remand-in-part.

## I

IV sued Erie Indemnity Company, Erie Insurance Exchange; Erie Insurance Property & Casualty Company; Erie Insurance Company; Flagship City Insurance Company; Erie Family Life Insurance Company (collectively, "Erie"); Old Republic General Insurance Group, Inc.; Old Republic Insurance Company; Old Republic Title Insurance Group, Inc.; Old Republic National Title Insurance Company; Highmark, Inc.; Hm Insurance Group, Inc.; Hm Life Insurance Company; Highmark Casualty Insurance Company; and Hm Casualty Insurance Company (collectively, "Appellees"), alleging infringement of the '581 patent, the '434 patent, and the '002 patent (collectively, "patents-in-suit") in the United States District Court for the Western District of Pennsylvania. In response, Appellees moved to dismiss IV's '581 patent infringement claims under Rule 12(b)(1) for lack of standing. Appellees also moved under Rule 12(b)(6), arguing that the claims of the '581, '434, and '002 patents are directed to ineligible subject matter under 35 U.S.C § 101.

After concluding that IV did not own the rights to the '581 patent, the district court granted Appellees' motion under 12(b)(1) for lack of standing. In reaching this conclusion, the district court found that a particular assignor did not assign any rights in or to the then-pending application to the '581 patent, thus breaking a chain in ownership of the patent. J.A. 24. Moreover, the district court dismissed IV's infringement claims under Rule 12(b)(6), finding that all claims of the three patents-in-suit were ineligible under § 101. J.A. 77. In its appeal, IV argues that the district court erred in dismissing its claims under Rule 12(b)(1) and 12(b)(6). We have jurisdiction under 28 U.S.C. § 1295(a)(1).

## II

On appeal, IV raises a number of issues regarding the proceedings below: (1) IV appeals the district court's

dismissal of its infringement claims of the '581 patent for lack of standing and its determination that the '581 patent is directed to ineligible subject matter under § 101; (2) IV appeals the district court's determination that the '434 patent is directed to ineligible subject matter under § 101; and (3) IV appeals the district court's determination that the '002 patent is directed to ineligible subject matter under § 101. We take each issue in turn.

A

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First, we consider the district court's dismissal of IV's infringement claims under Rule 12(b)(1) as they relate to the '581 patent. Our review of the district court's dismissal for lack of standing under 12(b)(1) is de novo. *Abbott Point of Care Inc. v. Epocal, Inc.*, 666 F.3d 1299, 1302 (Fed. Cir. 2012). We apply state law to contractual disputes and interpretations of the parties' patent assignment agreements.[1] *Semitool, Inc. v. Dynamic Micro Sys.*

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[1] We note that there are certain instances where Federal Circuit law is intimately bound up in the contract interpretation issue. For example, we have held that "[t]he question of whether or not an agreement provides for automatic assignment is a matter of federal [patent] law." *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1326 (Fed. Cir. 2010). "Although state law governs the interpretation of contracts generally . . . the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases. We have accordingly treated it as a matter of federal law." *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010) (quoting *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008); *see Speedplay, Inc. v. Bebop, Inc.*, 211

*Semiconductor Equip. GmbH*, 444 F.3d 1337, 1341 (Fed. Cir. 2006). For this particular dispute, California law applies. *See* Erie Resp. Br. 6 (noting that the parties executed the agreement underlying this matter in California); Appellants' Br. 18 (recognizing party agreement that California law governs). Because contract interpretation is a legal determination, the parties' contract dispute is reviewed without deference on appeal. *Semitool*, 444 F.3d at 1341.

The '581 patent issued from a continuation patent application of U.S. Patent No. 6,236,983 ("'983 patent").[2] After a series of assignments, the rights to the '581 patent (then, a pending application) and the '983 patent were assigned to AllAdvantage.com. J.A. 837–54. This assignment agreement expressly assigned the '983 patent and any continuation of that patent to AllAdvantage.com. The parties do not dispute that this assignment covered the then-pending application to the '581 patent and that AllAdvantage.com owned both that application and its parent (the '983 patent) upon execution of this agreement. *See, e.g.*, Erie Resp. Br. 5–6. Less than six months later,

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F.3d 1245, 1253 (Fed. Cir. 2000) (stating that while the ownership of patent rights is typically a question exclusively for state courts, the question of whether contractual language effects a present assignment of patent rights, or an agreement to assign rights in the future, is resolved by Federal Circuit law). As explained below, however, IV has not persuaded us that this case implicates such exceptions and indeed, admitted that California law governs the contract interpretation inquiry. Accordingly, we analyze the contract interpretation issue under California law.

[2] Because we do not reach the issue of patent-eligibility of the '581 patent, we did not include a summary of the technology of the patent in this opinion.

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