

Nos. 16-2031, 16-2049

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

PRISM TECHNOLOGIES LLC,
Plaintiff-Appellant,

v.

T-MOBILE USA, INC.,
Defendant-Cross-Appellant,

Appeal from the United States District Court for the District of Nebraska
in Case No. 8:12-cv-00124-LES-TDT, Senior Judge Lyle E. Strom

**PLAINTIFF-APPELLANT PRISM TECHNOLOGIES LLC'S
COMBINED PETITION FOR PANEL REHEARING
AND REHEARING EN BANC**

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CERTIFICATE OF INTEREST

1. The full name of every party represented by me is:
 - Prism Technologies LLC
2. The name of the real party in interest represented by me is:
 - Prism Technologies LLC
3. All parent corporations and any publicly held companies that own 10 percent of the stock of the party or amicus curia represented by me are listed below:
 - Prism Technologies LLC is a wholly owned subsidiary of Prism Technologies Group, Inc., a public company listed on the NASDAQ.
4. The names of all law firms and the partners or associates who appeared for Prism Technologies LLC in proceedings before the District Court, or are expected to appear in this Court, are:
 - Kramer Levin Naftalis & Frankel LLP: Paul Andre, Jonathan Caplan, Lisa Kobialka, Mark Baghdassarian, Aaron Frankel, Marcus Colucci, Cristina Martinez, Matthew Olinzock, Aakash Jariwala and William Hannah;
 - Koley Jessen P.C., L.L.O: Michael C. Cox and Daniel J. Fischer; and
 - Prism Technologies LLC: Andre J. Bahou.

Dated: July 11, 2017

/s/ Paul J. Andre
Paul J. Andre

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	ii
STATEMENT OF COUNSEL	1
PRELIMINARY STATEMENT OF POINTS OF LAW OR FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL.....	3
I. EN BANC REVIEW IS NECESSARY TO CONFIRM THE CLEAR ERROR STANDARD OF REVIEW APPLICABLE TO DISTRICT COURT FACTUAL FINDINGS UNDERLYING A § 101 PATENT ELIGIBILITY DETERMINATION	6
A. The District Court Made Factual Determinations Supporting Patent Eligibility of the Asserted Claims	6
B. The District Court’s Underlying Factual Determinations are Entitled to Deference Under a Clear Error Standard of Review.....	8
C. The Panel Erred by Failing to Grant Deference to the District Court’s Factual Findings Regarding § 101 Patent Eligibility.....	9
II. REHEARING IS NECESSARY BECAUSE THE PANEL MISAPPREHENDED THE ASSERTED CLAIMS AND FAILED TO CONSIDER THE DEPENDENT CLAIM LIMITATIONS.....	12
1. Independent Claim 1 of the ‘345 Patent is Not a Representative Claim for Purposes of § 101 Patent Eligibility	13
2. The Additional Limitations of the Dependent Claims Include Concrete Limitations and Inventive Concepts.....	14
III. CONCLUSION.....	18

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.</i> , 728 F.3d 1336 (Fed. Cir. 2013)	12
<i>Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.</i> , 841 F.3d 1334 (Fed. Cir. 2016)	1, 4, 8-9
<i>Alice Corp. Pty. Ltd. v. CLS Bank Int’l</i> , 134 S. Ct. 2347 (2014).....	1, 18
<i>Amdocs (Israel) Ltd. v. Openet Telecom, Inc.</i> , 841 F.3d 1288 (Fed. Cir. 2016)	1, 17
<i>Anderson v. Bessemer City</i> , 470 U.S. 564 (1985).....	11
<i>Arrhythmia Research Tech., Inc. v. Corazonix Corp.</i> , 958 F.2d 1053 (Fed. Cir. 1992)	12
<i>Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC</i> , 827 F.3d 1341 (Fed. Cir. 2016)	1, 17
<i>DDR Holdings LLC v. Hotels.com, L.P.</i> , 773 F.3d 1245 (Fed. Cir. 2014)	1, 7, 17
<i>Enfish, LLC v. Microsoft Corp.</i> , 822 F.3d 1327 (Fed. Cir. 2016)	1, 18
<i>Graver Tank & Mfg. Co. v. Linde Air Products Co.</i> , 339 U.S. 605 (1950).....	9
<i>Lighting Ballast Control LLC v. Philips Electronics North Am. Corp.</i> , 744 F.3d 1272 (Fed. Cir. 2014)	11
<i>McRO Inc. v. Bandai Namco Games Am. Inc.</i> , 837 F.3d 1299 (Fed. Cir. 2016)	1, 17
<i>Mintz v. Dietz & Watson, Inc.</i> , 679 F.3d 1372 (Fed. Cir. 2012)	1, 3, 8

Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.,
811 F.3d 1314 (Fed. Cir. 2016)12

Prism Techs. LLC v. T-Mobile USA, Inc.,
2016-2031, 2016-2049, slip op. (Fed. Cir. June 23, 2017).....*passim*

Teva Pharm. USA, Inc. v. Sandoz, Inc.,
135 S. Ct. 831 (2015).....1, 3, 8, 9, 11

Statutes

35 U.S.C. § 101*passim*

Other Authorities

Fed. R. Civ. P. 52(a)(6).....9

STATEMENT OF COUNSEL

Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance:

1) Whether the Federal Circuit must review for clear error a district court's underlying factual findings regarding § 101 patent eligibility under the Supreme Court's precedent in *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015) and this Court's rulings in *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372 (Fed. Cir. 2012) and *Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, 841 F.3d 1334, 1341 (Fed. Cir. 2016).

Based on my professional judgment, I believe the panel's decision in this case is contrary to the following decisions of the Supreme Court of the United States and the precedent of this Court: *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015); *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372 (Fed. Cir. 2012); *Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, 841 F.3d 1334, 1341 (Fed. Cir. 2016); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016); *DDR Holdings LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014); *McRO Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016); *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016); *Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

Dated: July 11, 2017

/s/ Paul J. Andre
Paul J. Andre

**PRELIMINARY STATEMENT OF POINTS OF LAW OR FACT
OVERLOOKED OR MISAPPREHENDED BY THE PANEL**

This case warrants en banc review because it involves the precedent-setting question of whether this Court should apply a clear error standard of review to a district court's underlying factual findings regarding patent eligibility under 35 U.S.C. § 101.

In this case, the District Court found the Asserted Claims¹ patent eligible under § 101 and made several factual findings in support thereof. On appeal, the Panel characterized patent eligibility under § 101 purely as an issue of law and applied a de novo standard of review to both the legal issue of patent eligibility and the District Court's underlying factual determinations.² The Panel should have granted deference to the District Court's factual findings. Failing to do so was inconsistent with precedent of the Supreme Court and this Court that grants deference to subsidiary factual determinations made by district courts in deciding similar questions of law—namely, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015) (Federal Circuit must review for clear error district court's subsidiary factual findings regarding claim construction); *Mintz v. Dietz & Watson*,

¹ The “Asserted Claims,” which are the only claims addressed by the Panel's decision, are claims 1, 77, 87 of U.S. Patent No. 8,127,345 (the “ ‘345 Patent”) and claims 11, 37, 56 of U.S. Patent No. 8,387,155 (the “ ‘155 Patent”). Appx50-54.

² *Prism Techs. LLC v. T-Mobile USA, Inc.*, 2016-2031, 2016-2049, slip op. at 4-5 (Fed. Cir. June 23, 2017) (Dkt. No. 64-2) (“Op.”), attached hereto as an addendum.

Inc., 679 F.3d 1372 (Fed. Cir. 2012) (Federal Circuit must review for clear error district court determinations on factual inquiries underlying the obviousness analysis); *Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, 841 F.3d 1334, 1341 (Fed. Cir. 2016) (Federal Circuit must review for clear error district court's subsidiary factual findings regarding indefiniteness).

Here, the District Court based its finding that the Asserted Claims are patent eligible, in part, on its evaluation of the factual evidence and expert opinion Prism offered. The Panel should have granted deference to such unrebutted factual findings by the District Court and found the claims patent eligible under § 101. Thus, rehearing en banc is necessary to confirm that a clear error standard of review applies to a district court's factual findings underlying a § 101 patent eligibility determination.

This case also warrants panel rehearing and rehearing en banc because the Panel erred in its patent ineligibility determination, basing its entire analysis on a single, non-representative independent method claim, i.e., Claim 1 of the '345 Patent, and failed to consider important limitations of the system claims and narrower dependent claims. Contrary to the Panel's decision, Prism disputed that this claim is representative for § 101 purposes. Failing to analyze the important limitations of the dependent claims, such as the authentication of the access server by the client computer and the authentication server, which represented important

advances over then-conventional networks is inconsistent with Federal Circuit precedent.

I. EN BANC REVIEW IS NECESSARY TO CONFIRM THE CLEAR ERROR STANDARD OF REVIEW APPLICABLE TO DISTRICT COURT FACTUAL FINDINGS UNDERLYING A § 101 PATENT ELIGIBILITY DETERMINATION

Rehearing en banc is necessary because the Panel incorrectly applied a de novo standard of review to the District Court’s factual determinations relating to patent eligibility under § 101—those underlying factual findings should be reviewed for clear error. The Panel would have found the Asserted Claims patent eligible if it gave deference to the District Court’s underlying factual findings.

A. The District Court Made Factual Determinations Supporting Patent Eligibility of the Asserted Claims.

The District Court granted summary judgment that the Asserted Claims are patent eligible under § 101 and reconfirmed this finding after presiding over the trial. Appx34-35; Appx7. Although the District Court found the claims to be directed to the abstract idea of “providing restrict[ed] access to resources,” it found the claims patent eligible because they include “concrete limitations” and are “directed to an inventive concept” that solved real-world networking problems. Appx33-35.

The District Court made several underlying factual findings in support of its determination that the Asserted Claims are patent eligible. In particular, the District Court considered the factual evidence and expert opinion offered by Prism, un rebutted by T-Mobile, establishing that the concepts of the Asserted Claims

presented an unconventional “improvement over the current technology of that time,” and made the following factual findings identified in bold-italics:

During the mid-1990s, the patents addressed an *inventive concept* that *solved the problem of delivering resources over an untrusted network*. In addition, *Prism presents evidence from its expert, Dr. Lyon*, that the patents’ inventive use of identity associated with the client computer to control access to resources over an untrusted network was an *improvement over the current technology of that time*. After reviewing the claims, *evidence*, and various arguments, the Court finds that asserted claims do include inventive concepts to ensure that patents in practice are more than just patents on restricting access to resources.

Appx33-34 (citations omitted) (emphasis added).

The District Court also found that the Asserted Claims modified the function of the computer networks to solve a problem unique to the Internet with a “specific method of solving that problem”:

the patents in application do more than “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice.”” *The claims modify the way the Internet functions to provide secure access over a protected computer resource*. The problems addressed by Prism’s claims are ones that “*arose uniquely in the context of the Internet*, and the solution proposed was a *specific method of solving that problem*.”

Appx34 (emphasis added), citing *DDR Holdings LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258 (Fed. Cir. 2014).

After presiding over the trial, the District Court denied T-Mobile's JMOL motion for § 101 ineligibility, finding that "[n]o new evidence was presented at trial to make the Court change its decision from the previous orders." Appx7.

On appeal, the Panel applied a de novo standard of review, did not grant deference to the District Court's factual findings, found the Asserted Claims patent ineligible under § 101, and reversed the District Court's denial of T-Mobile's JMOL. Op. at 7.³

B. The District Court's Underlying Factual Determinations are Entitled to Deference Under a Clear Error Standard of Review.

This Court grants deference to subsidiary factual determinations made by district courts in deciding questions of law. In *Teva*, the Supreme Court held that, when reviewing a district court's resolution of subsidiary factual matters made in the course of claim construction, this Court must apply a "clear error," rather than a de novo, standard of review. 135 S. Ct. at 838, This Court applies the same approach to review of obviousness and indefiniteness determinations. *Mintz*, 679 F.3d at 1375 ("This court reviews . . . determinations on the factual inquiries underlying the obviousness analysis for clear error.") (citation omitted); *Alfred E. Mann Found. for Sci. Research*, 841 F.3d 1334 at 1341 (factual findings underlying indefiniteness determinations reviewed for clear error). The Supreme

³ In light of its decision that the Asserted Claims are ineligible, the Panel dismissed Prism's appeal as moot. Op. at 2 n.2. To the extent rehearing is granted, the issues raised in Prism's appeal should be considered.

Court based its ruling in *Teva* on the “clear command” set forth in Federal Rule of Civil Procedure 52(a)(6)—namely, that an appellate court “must not . . . set aside” a district court’s “[f]indings of fact” unless they are “clearly erroneous.” *Teva*, 135 S. Ct. at 836. The Supreme Court ruled that Rule 52(a)(6) “does not make any exceptions or purport to exclude certain categories of factual findings from the obligation of a court of appeals to accept a district court's findings unless clearly erroneous.” *Id.* at 837. Indeed, the Supreme Court in *Teva* announced that “clear error review is ‘particularly’ important where patent law is at issue because patent law is ‘a field where so much depends upon familiarity with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience.’” *Id.* at 838–39 (citing *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 610 (1950)).

There is no basis to depart from this approach in the context of a § 101 patent eligibility analysis, as the Panel did here, and this Court should follow the Supreme Court’s unequivocal precedent that a district court’s factual findings must be reviewed for clear error.

C. The Panel Erred by Failing to Grant Deference to the District Court’s Factual Findings Regarding § 101 Patent Eligibility.

The Panel did not grant deference to the District Court’s factual findings regarding patent eligibility of the Asserted Claims. Rather, the Panel applied a de novo standard of review to all aspects of the § 101 analysis. *Op.* at 4 (“Patent

eligibility under [§ 101] is an issue of law reviewed de novo.”) (citation omitted); *id.* at 5 (“We review denial of JMOL motions under regional circuit law—here, the Eighth Circuit. The Eighth Circuit reviews a district court’s denial of a motion for JMOL de novo.”).

Applying this de novo standard, the Panel not only disregarded the District Court’s underlying factual findings, but also rejected outright those factual findings. For example, the Panel found that the District Court erred in concluding that the Asserted Claims “include inventive concepts to ensure that [the] patents in practice are more than just patents on restricting access to resources” because “they modify the way the Internet functions to provide secure access over a protected computer resource.” *Op.* at 6 (citations omitted). The Panel substituted its own view of the Asserted Claims to find that the Asserted Claims do not contain an inventive concept. *Id.* The Panel also disregarded the District Court’s finding that the Asserted Claims addresses a specific method for solving a problem that arose “uniquely in the context of the Internet,” as well as the credit the District Court gave to Prism’s expert, Dr. Lyon, who confirmed that the patents’ “inventive use of identity [data] associated with the client computer to control access to resources over an untrusted network was an improvement over the current technology of that time.” Appx34 (citation omitted). Instead, the Panel reached an independent

conclusion, without granting any deference to the District Court's findings, that the Asserted Claims' use of hardware identifiers was conventional in nature. *Id.* at 7.

By substituting its own independent factual findings for those of the District Court, the Panel's decision was inconsistent with Supreme Court and Federal Circuit precedent that district courts are the best arbiters of facts. *Teva*, 135 S. Ct. at 838–39 (“A district court judge who has presided over, and listened to, the entirety of a proceeding has a comparatively greater opportunity to gain that familiarity than an appeals court judge who must read a written transcript or perhaps just those portions to which the parties have referred.”) (citing *Lighting Ballast Control LLC v. Philips Electronics North Am. Corp.*, 744 F.3d 1272, 1311(Fed. Cir. 2014) (en banc) (O'Malley, J., dissenting) (“Federal Circuit judges ‘lack the tools that district courts have available to resolve factual disputes fairly and accurately,’ such as questioning the experts, examining the invention in operation, or appointing a court-appointed expert.”); *Anderson v. Bessemer City*, 470 U.S. 564, 574 (1985) (“The trial judge's major role is the determination of fact, and with experience in fulfilling that role comes expertise”)).

Had the Panel properly reviewed the District Court's factual findings for clear error, it could not have determined that the Asserted Claims are patent ineligible, as the Panel's findings are entirely inconsistent with those of the District Court. Specifically, the Panel should have granted deference to the District

Court's factual findings that (1) the Asserted Claims include inventive concepts, (2) solved a real problem at the time of the invention, (3) presented new ideas that improved then-current technology, and (4) the trial record was consistent with these findings.

These factual findings are integral to the § 101 patent eligibility analysis. *See Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016) (“The § 101 inquiry ‘may contain underlying factual issues’”), quoting *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013); *Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1055–56 (Fed. Cir. 1992) (the determination of “whether a claim is directed to statutory subject matter is a question of law...that may require findings of underlying facts specific to the particular subject matter and its mode of claiming”).

Thus, the Panel erred by applying a de novo standard of review to the District Court's underlying factual determination regarding § 101 patent eligibility, which are entitled to deference and clear error review under applicable precedent.

II. REHEARING IS NECESSARY BECAUSE THE PANEL MISAPPREHENDED THE ASSERTED CLAIMS AND FAILED TO CONSIDER THE DEPENDENT CLAIM LIMITATIONS

Panel rehearing is warranted because the Panel misapprehended the pertinent Asserted Claims by analyzing only a single, non-representative independent

method claim without considering important limitations of the asserted system and narrower dependent claims. Contrary to the Panel's statement, the single claim it considered (i.e., Claim 1 of the '345 Patent) is not representative of all asserted claims in both patents for purposes of determining § 101 patent eligibility. The Panel's failure to consider the limitations of the system claims and the dependent claims resulted in an incorrect reversal of the District Court's finding that the Asserted Claims are patent eligible.

1. **Independent Claim 1 of the '345 Patent is Not a Representative Claim for Purposes of § 101 Patent Eligibility.**

Claim 1 of the '345 Patent is not representative of all of the Asserted Claims for purposes of § 101 patent eligibility. Op. at 2 ("Claim 1 of the '345 Patent is representative."). The Panel noted that Prism "[did] not dispute that claim 1 of the '345 Patent is representative, *at least for purposes of [Prism's] appeal.*" *Id.* (emphasis added). The Panel misapprehended a key fact, however, namely that Prism's appeal was limited to T-Mobile's improper *infringement* arguments and expert opinions presented to the jury. Prism's appeal had nothing to do with § 101 patent eligibility, which was exclusively raised in T-Mobile's cross-appeal. Dkt. No. 35 at 55-60. Prism specifically disputed T-Mobile's assertion that Claim 1 of the '345 Patent is representative of all claims and identified in detail the multiple important limitations of system claims and narrower dependent claims that are not

recited in independent method Claim 1 of the '345 Patent (described in detail in the following section). Dkt. No. 40-1 at 33-35.

2. The Additional Limitations of the Dependent Claims Include Concrete Limitations and Inventive Concepts.

The Panel also erred in finding that all of the Asserted Claims are ineligible under § 101 because in limiting its analysis to a single independent claim that is broader than Prism's other asserted dependent claims, it failed to consider important narrowing claim limitations.

The claimed inventions of the patents Prism asserted against T-Mobile are for controlling access to protected computer resources and providing those protected computer resources over an untrusted network using an Internet Protocol, such as the Internet. *See, e.g.,* Appx119 at 34:17-42. The Asserted Claims, including independent Claim 1 of the '345 Patent, include concrete and non-generic limitations. Dkt. No. 40-1 at 31; Appx119. The District Court agreed and granted Prism summary judgment of patent eligibility (Appx34); however, as explained above, the Panel disagreed on de novo review and reversed the District Court's ruling. Op. at 7

The Panel ignored, however, Prism's dependent claims based on its misapprehension that independent Claim 1 of the '345 Patent is representative. These dependent claims include important narrowing limitations that further make concrete and inventive Prism's solution.

For example, in recognition of the unique challenges presented by use of an untrusted network, the dependent claims include requirements that the client computer device authenticates the access server and that the authentication server authenticates the access server. Appx188-190 at Claim 11 of the '155 Patent (“The system of claim 1, wherein said at least one client computer device is adapted to authenticate said at least one access server.”). This concept is novel, inventive and beneficial, as it was not used at the time of Prism’s invention because cellular providers and others had not yet appreciated the risk that the access server itself could be a fraudulent entity. Dkt. No. 40-1 at 46. The idea of a client computer authenticating the access server is part of Prism’s solution for providing resources over an untrusted network and addresses the threat of network spoofing (i.e., when “hackers could masquerade as the service provider’s network and fool the subscriber into mistakenly providing their login information), which was not introduced into cellular networks until years later. Dkt. No. 40-1 at 45-45; *see also* Appx16677-16678 at ¶ 213; Appx38376-38378 at 2383:25-2385:25 (novelty of this form of authentication); Appx38409-38413 at 2416:9-2420:21; Appx38414 at 2421:4-8 (authentication of access server to client computer not introduced until 1999).

Prism’s invention also recognized the risk that the component identifying itself as an access server could itself be bogus, and the dependent claim’s novel

idea of the authentication server authenticating the access server provided additional security. Dkt. No. 40-1 at 46; Appx38409-38412 at 2416:9-2419:2 (benefits of authentication of access server); Appx38417 at 2424:2-15 (authentication of access server to authentication server not introduced until 2001); Appx38419-38420 at 2426:15-2427:6 (industry's subsequent recognition of the importance of authentication techniques when communicating over an untrusted network). This novel limitation of the dependent claims is not included in independent Claim 1 of the '345 Patent (Appx119) and therefore not considered by the Panel.

The dependent claims include other additional limitations that the Panel failed to consider because they are not included in Claim 1 of the '345 Patent. In particular:

- Dependent Claim 37 of '155 Patent requires that an access server or authentication server tracks usage of the protected computer resources for billing purposes (Appx188); and
- Dependent Claim 77 of the '345 Patent and dependent Claim 56 of the '155 Patent require that the server associated with the access server provides protected computer resources (Appx122, Appx189).

As set forth in Prism's briefing, the other dependent claims include additional meaningful and specific limitations that are not included in Claim 1 of the '345 Patent—and thus not considered by the Panel. Dkt. No. 40-1 at 34.

These dependent claim limitations are based on inventive concepts that provide tangible benefits and solve real-world problems as demonstrated by unrebutted expert analysis credited by the District Court, further confirming that they are patent eligible. *McRO Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1315 (Fed. Cir. 2016) (finding claim to be patent eligible where it was directed to a “technological improvement over the existing . . . techniques” and achieved an “improved technological result in conventional industry practice”); *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1300 (Fed. Cir. 2016) (finding patent eligible claims that provided “a critical advancement over the prior art” and provided an “unconventional technological solution . . . to a technological problem”); *DDR Holdings LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1259 (Fed. Cir. 2014) (“the claimed solution amounts to an inventive concept for resolving this particular internet-centric problem, rendering the claims patent-eligible.”); *Bascom Global Internet Servs., Inc.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) (“an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces”). Indeed, T-Mobile argued non-infringement of at least seven of the dependent claims asserted Prism in this matter based on the additional requirements imposed by these elements. Appx16075-16079 (listing T-Mobile’s non-infringement arguments).

None of these dependent claim limitations is included in Claim 1 of the '345 Patent and, as a result, were not considered by the Panel. By ignoring the specific limitations of these dependent claims, the Panel overgeneralized the Asserted Claims in violation of the Supreme Court and Federal Circuit precedent. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014) (one must “tread carefully in construing this exclusionary principle of [patent eligibility] lest it swallow all of patent law”); *Enfish LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016) (“describing the claims at such a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule”).

Thus, panel rehearing is appropriate because the Panel’s determination that the Asserted Claims are patent ineligible under § 101 is (i) premised on a misapprehension of Claim 1 of the '345 Patent as a representative claim and corresponding failure to consider the additional limitations of Prism’s dependent claims and (ii) inconsistent with controlling precedent.

III. CONCLUSION

For the foregoing reasons, Prism respectfully requests panel rehearing and rehearing en banc.

Respectfully submitted,

Dated: July 11, 2017

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on July 11, 2017, a copy of the foregoing document:

**PLAINTIFF-APPELLANT PRISM TECHNOLOGIES LLC'S
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was filed electronically with the Clerk of the Court using the Appellate CM/ECF System, which will send a Notice of Docket Activity via electronic mail to all counsel of record. Additionally, a copy of the foregoing document was served upon counsel for Appellant via electronic mail listed below:

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