

No. 21-\_\_\_\_

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IN THE  
**Supreme Court of the United States**

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SPIREON, INC.,

*Petitioner,*

v.

PROCON ANALYTICS, LLC,

*Respondent.*

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**On Petition for a Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

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**PETITION FOR WRIT OF CERTIORARI**

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KATHLEEN E. KRAFT  
THOMPSON COBURN LLP  
1909 K Street, N.W.,  
Suite 600  
Washington, DC 20006  
(202) 585-6900

DAVID B. JINKINS  
*Counsel of Record*  
ANTHONY F. BLUM  
ALAN H. NORMAN  
NATHAN C. FONDA  
THOMPSON COBURN LLP  
One U.S. Bank Plaza  
St. Louis, MO 63101  
(314) 552-6000  
djinkins@thompsoncoburn.com

*Counsel for Petitioner Spireon, Inc.*

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## QUESTIONS PRESENTED

This case relates to a new inventive method for vehicles. Despite the invention here improving both the functioning of (i) vehicles and (ii) “location devices” used for tracking vehicles, the district court below found the patent-in-suit invalid as an “abstract idea” under 35 U.S.C. § 101, without factual development, on a motion for judgment on the pleadings, and the Federal Circuit affirmed without opinion. The questions presented, identical to those in *American Axle & Mfg, Inc. v. Neapco Holdings LLC*, No. 20–891, are:

1. What is the appropriate standard for determining whether a patent claim is “directed to” a patent-ineligible concept under step 1 of the Court’s two-step framework for determining whether an invention is eligible for patenting under 35 U.S.C. § 101?

2. Is patent eligibility (at each step of the Court’s two-step framework) a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of the art at the time of the patent?

**PARTIES TO THE PROCEEDING**

All parties to the proceeding are named in the caption.

**CORPORATE DISCLOSURE STATEMENT**

Pursuant to this Court's Rule 29.6, petitioner Spireon, Inc. states that its parent companies are Spireon, LLC; Spireon Intermediate Holdings, Inc; Spireon Holdings, Inc.; and Omnitrac, LLC, which is ultimately owned by Solera Global Corp. No publicly held company owns 10% or more of Spireon, Inc.'s stock.

**RELATED PROCEEDINGS**

The following proceedings are directly related to this case within the meaning of this Court's Rule 14.1(b)(iii):

*Procon Analytics, LLC v. Spireon, Inc.*, Case No. 3:19-cv-00201 (E.D. Tenn.), judgment entered on April 6, 2021, and

*Procon Analytics, LLC v. Spireon, Inc.*, Case No. 2021-1954 (Fed. Cir.), judgment entered on January 19, 2022.

## TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED .....	i
PARTIES TO THE PROCEEDINGS.....	ii
CORPORATE DISCLOSURE STATEMENT.....	ii
RELATED PROCEEDINGS .....	ii
TABLE OF AUTHORITIES.....	v
OPINIONS BELOW .....	1
JURISDICTION .....	1
STATUTORY PROVISIONS INVOLVED.....	1
INTRODUCTION.....	1
STATEMENT OF THE CASE .....	5
A. Statutory Background and the Non- Textual Exceptions to Patent Eligibility ..	5
B. Spireon’s Patented Invention .....	7
C. The Proceedings Below.....	11
REASONS FOR GRANTING THE PETITION..	14
I. THIS CASE SHOULD BE DECIDED UNDER ANY MERITS DECISION IN <i>AMERICAN AXLE</i> .....	14
II. AS THE PETITION IN <i>AMERICAN         AXLE</i> MAKES CLEAR, THE FEDERAL CIRCUIT IS BEGGING FOR GUIDANCE ON THE NON-TEXTUAL EXCEPTIONS TO PATENT ELIGI- BILITY UNDER § 101.....	16

## TABLE OF CONTENTS—Continued

	Page
III. THE COURTS ARE BITTERLY DIVIDED ON HOW TO APPLY THE COURT’S TWO-STEP FRAMEWORK ....	19
IV. THE LACK OF CLEAR GUIDANCE FROM THE FEDERAL CIRCUIT HAS CAUSED THE LOWER COURTS TO IMPROPERLY DECIDE FACTUAL DISPUTES AT THE PLEADINGS STAGE TO DETERMINE ELIGIBILITY, VIOLATING RULE 12 STANDARDS .....	25
V. THIS CASE WOULD BE AN IDEAL COMPANION CASE FOR REVIEW WITH <i>AMERICAN AXLE</i> .....	30
CONCLUSION .....	32
APPENDIX	
APPENDIX A: Judgment of the United States Court of Appeals for the Federal Circuit, dated January 19, 2022 .....	1a
APPENDIX B: Order of the United States District Court for the Eastern District of Tennessee Granting Plaintiff’s Motion for Judgment on the Pleadings, dated April 6, 2021 .....	3a
APPENDIX C: Judgment of the United States District Court for the Eastern District of Tennessee, dated April 6, 2021 .....	24a
APPENDIX D: Statutory Provisions:	
35 U.S.C. § 101 .....	25a
35 U.S.C. § 282 .....	26a

## TABLE OF AUTHORITIES

CASES	Page(s)
<i>Aatrix Software, Inc. v. Green Shades Software, Inc.</i> , 882 F.3d 1121 (Fed. Cir. 2018) .....	29
<i>Alcon Research Ltd. v. Barr Labs., Inc.</i> , 745 F.3d 1180 (Fed. Cir. 2014) .....	24
<i>Alice Corp. Pty. v. Bank Int’l</i> , 573 U.S. 208 (2014).....	<i>passim</i>
<i>Amdocs (Israel) Ltd. v. Openet Telecom, Inc.</i> , 841 F.3d 1288 (Fed. Cir. 2016) .....	22
<i>Ameranth, Inc. v. Olo, Inc.</i> , No. 21–1228 (docketed Mar. 10, 2022) .....	6, 14, 18
<i>Ameranth, Inc. v. Olo Inc.</i> , No. 2021-1211, 2021 WL 4699180 (Fed. Cir. Oct. 8, 2021).....	26
<i>American Axle &amp; Mfg., Inc. v. Neapco Holdings LLC</i> , 966 F.3d 1347 (Fed. Cir. 2020) .....	3, 17, 23
<i>American Axle &amp; Mfg., Inc. v. Neapco Holdings LLC</i> , 967 F.3d 1285 (Fed. Cir. 2020) .....	15, 20, 23, 25
<i>American Axle &amp; Mfg., Inc. v. Neapco Holdings LLC</i> , 977 F.3d 1379 (Fed. Cir. 2020).....	<i>passim</i>
<i>American Axle &amp; Mfg., Inc. v. Neapco Holdings LLC</i> , No. 20–891 (docketed Jan. 5, 2021).....	3, 14

## TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Anders v. Cuevas</i> , 984 F.3d 1166 (6th Cir. 2021).....	15
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....	26
<i>Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC</i> , 927 F.3d 1333 (Fed. Cir. 2019).....	3, 17
<i>Berkheimer v. HP Inc.</i> , 881 F.3d 1360 (Fed. Cir. 2018).....	25, 28
<i>Bilski v. Kappos</i> , 561 U.S. 593 (2010).....	3, 5, 23
<i>Bushong v. Delaware City Sch. Dist.</i> , 851 F. App'x 541 (6th Cir. 2021) .....	29
<i>CardioNet, LLC v. InfoBionic, Inc.</i> , 816 F. App'x 471 (Fed. Cir. 2020).....	20
<i>Cellspin Soft, Inc. v. Fitbit, Inc.</i> , 927 F.3d 1306 (Fed. Cir. 2019).....	7, 28
<i>Core Wireless Licensing S.A.R.L. v. LG Elecs., Inc.</i> , 880 F.3d 1356 (Fed. Cir. 2018).....	21
<i>CosmoKey Solutions GmbH v. Duo Security LLC</i> , 15 F.4th 1091 (Fed. Cir. 2021) .....	22, 28
<i>Cybergenetics Corp. v. Inst. of Env't Sci. &amp; Rsch.</i> , 856 F. App'x 312 (Fed. Cir. 2021).....	26
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981).....	6, 20

## TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Enfish, LLC v. Microsoft Corp.</i> , 822 F.3d 1327 (Fed. Cir. 2016).....	22, 25
<i>Finjan, Inc. v. Blue Coat Sys., Inc.</i> , 879 F.3d 1299 (Fed. Cir. 2018).....	21
<i>Fitbit, Inc. v. AliphCom</i> , 233 F. Supp. 3d 799 (N.D. Cal. 2017).....	28
<i>Gabara v. Facebook, Inc.</i> , 852 F. App'x 541 (Fed. Cir. 2021), <i>cert.</i> <i>denied</i> , 142 S. Ct. 1233 (2022).....	26
<i>Gomez v. Toledo</i> , 446 U.S. 635 (1980).....	30
<i>Google LLC v. Sonos, Inc.</i> , 498 F. Supp. 3d 1138 (N.D. Cal. 2020).....	27
<i>Gottschalk v. Benson</i> , 409 U.S. 63 (1972).....	6
<i>Intellectual Ventures I LLC v. Symantec Corp.</i> , 838 F.3d 1307 (Fed. Cir. 2016).....	21
<i>Interactive Wearables, LLC v. Polar Electro Oy</i> , 501 F. Supp. 3d 162 (E.D.N.Y. 2020).....	23
<i>Interactive Wearables, LLC v. Polar Electro Oy</i> , No. 21–1281 (docketed Mar. 22, 2022) .....	14, 18, 23
<i>Interactive Wearables, LLC v. Polar Electro Oy</i> , No. 2021-1491, 2021 WL 4783803 (Fed. Cir. Oct. 14, 2021).....	26

## TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Internet Pats. Corp. v. Active Network, Inc.</i> , 790 F.3d 1343 (Fed. Cir. 2015).....	21
<i>Interval Licensing LLC v. AOL, Inc.</i> , 896 F.3d 1335 (Fed. Cir. 2018).....	2, 21
<i>Jones v. Bock</i> , 549 U.S. 199 (2007).....	27, 29, 30
<i>Mgmt. Sci. Assocs., Inc. v. Datavant, Inc.</i> , 510 F. Supp. 3d 238 (D. Del. 2020); .....	27
<i>Mayo Collaborative Services v. Prometheus Laboratories, Inc.</i> , 566 U.S. 66 (2012).....	<i>passim</i>
<i>McRO, Inc. v. Bandai Namco Games Am. Inc.</i> , 837 F.3d 1299 (Fed. Cir. 2016).....	22, 25
<i>Microsoft Corp. v. i4i Ltd. Partnership</i> , 564 U.S. 91 (2011).....	7, 27
<i>Monument Peak Ventures, LLC v. Toshiba Am. Bus. Sols., Inc.</i> , No. 2021-1052, 2021 WL 5876038 (Fed. Cir. Dec. 13, 2021) .....	26
<i>Parker v. Flook</i> , 437 U.S. 584 (1978).....	28
<i>Procon Analytics, LLC v. Spireon, Inc.</i> , 533 F. Supp. 3d 614 (E.D. Tenn. 2021) ....	1
<i>Procon Analytics, LLC v. Spireon, Inc.</i> , Case PGR2019–00051 (PTAB) .....	11

## TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Procon Analytics, LLC v. Spireon, Inc.</i> , No. 2021–1954, 2022 WL 167463 (Fed. Cir. Jan. 19, 2022) .....	1
<i>Quad City Pat., LLC v. Zoosk, Inc.</i> , 498 F. Supp. 3d 1178 (N.D. Cal. 2020).....	27
<i>Rates Tech., Inc. v. Mediatrice Telecom, Inc.</i> , 688 F.3d 742 (Fed. Cir. 2012) .....	14
<i>Realtime Data LLC v. Array Networks Inc.</i> , 537 F. Supp. 3d 591 (D. Del. 2021).....	27
<i>Riverview Health Inst. LLC v.</i> <i>Med. Mut. of Ohio</i> , 601 F.3d 505 (6th Cir. 2010).....	29-30
<i>Simio, LLC v. FlexSim Software Prod., Inc.</i> , 983 F.3d 1353 (Fed. Cir. 2020) .....	27
<i>Smart Sys. Innovations, LLC</i> <i>v. Chicago Transit Auth.</i> , 873 F.3d 1364 (Fed. Cir. 2017) .....	2
<i>SmileDirectClub, LLC v. Candid Care Co.</i> , 856 F. App'x 893 (Fed. Cir. 2021).....	26
<i>TecSec, Inc. v. Adobe Inc.</i> , 978 F.3d 1278 (Fed. Cir. 2020) .....	21
<i>Universal Secure Registry LLC</i> <i>v. Apple Inc.</i> , 10 F.4th 1342 (Fed. Cir. 2021) .....	27
<i>Universal Secure Registry LLC</i> <i>v. Apple Inc.</i> , No. 21–1056 (docketed Jan. 31, 2022).....	14

## TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Univ. of Fla. Research Found., Inc. v. Gen. Elec. Co.</i> , 916 F.3d 1363 (Fed. Cir. 2019) .....	6
<i>Visual Memory LLC v. NVIDIA Corp.</i> , 867 F.3d 1253 (Fed. Cir. 2017) .....	23
<i>Xechem, Inc. v. Bristol-Myers Squibb Co.</i> , 372 F.3d 899 (7th Cir. 2004).....	27, 29
<b>STATUTES</b>	
28 U.S.C. § 1254(l).....	1
35 U.S.C. § 100(b).....	3, 5
35 U.S.C. § 101 .....	<i>passim</i>
35 U.S.C. § 102 .....	7, 11, 12
35 U.S.C. § 103 .....	7, 11, 12
35 U.S.C. § 112 .....	<i>passim</i>
35 U.S.C. § 282(a).....	7, 27, 31
35 U.S.C. § 282(b).....	6, 7
42 U.S.C. § 1983 .....	30
<b>RULES</b>	
Fed. Cir. R. 36.....	14, 18
Fed. R. Civ. P. 8.....	29
Fed. R. Civ. P. 12.....	<i>passim</i>
Fed. R. Civ. P. 12(b)(6) .....	29

## TABLE OF AUTHORITIES—Continued

COURT FILINGS	Page(s)
Brief for the United States, <i>HP Inc. v. Berkheimer</i> , No. 18–415 (Dec. 6, 2019)....	5, 31
Brief for the United States, <i>Hikma Pharms. USA Inc. v. Vanda Pharms. Inc.</i> , No. 18–817 (Dec. 6, 2019).....	5, 31
OTHER AUTHORITIES	
Eric M. Acker, <i>Business As Usual After Berkheimer?</i> , Fed. Law., May/June 2019.	26
Docket Navigator’s Special Report, <i>Alice Through the Looking Glass</i> (2018), available at <a href="http://brochure.docketnavigator.com/alice/">http://brochure.docketnavigator.com/alice/</a> (accessed on Apr. 8, 2022) ....	31
Quinn Emanuel, U.S. District Judge Alan Albright Grants First Two Section 101 Motions, available at <a href="https://www.quinnemanuel.com/the-firm/publications/lead-article-u-s-district-judge-alan-albright-grants-first-two-section-101-motions/">https://www.quinnemanuel.com/the-firm/publications/lead-article-u-s-district-judge-alan-albright-grants-first-two-section-101-motions/</a> (last accessed Apr. 13, 2022) .....	18
C. Graham Gerst & Lilly Parker, <i>Section 101 on Trial: Understanding How Eligibility Issues Have Fared Before Judges</i> , available at <a href="https://www.ipwatchdog.com/2022/01/31/section-101-trial-understanding-eligibility-issues-fared-juries">https://www.ipwatchdog.com/2022/01/31/section-101-trial-understanding-eligibility-issues-fared-juries</a> (last accessed Apr. 14, 2022).....	26

## TABLE OF AUTHORITIES—Continued

	Page(s)
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Dani Kass, <i>From Alice to Fintiv: Judge O'Malley Dishes on Patent Law</i> , Law360 (Mar. 23, 2022), available at <a href="https://www.law360.com/ip/articles/1476073/from-alice-to-fintiv-judge-o-malley-dishes-on-patent-law">https:// www.law360.com/ip/articles/1476073/from- alice-to-fintiv-judge-o-malley-dishes-on-p atent-law</a> (last accessed Apr. 5, 2022).....	16
5C Charles Alan Wright & Arthur R. Miller, <i>Federal Practice &amp; Procedure: Civil</i> (3d ed. 2002).....	26

## **PETITION FOR A WRIT OF CERTIORARI**

Petitioner Spireon, Inc. (“Spireon” or “Petitioner”) respectfully submits this petition for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

### **OPINIONS BELOW**

The Federal Circuit’s decision in *Procon Analytics, LLC v. Spireon, Inc.*, Case No. 2021–1954, is not published in the Federal Reporter but is reprinted at 2022 WL 167463 (Fed. Cir. Jan. 19, 2022), and reproduced at App. 1a–2a. The opinion of the district court granting Procon Analytics, LLC’s (“Procon” or “Respondent”) motion for judgment on the pleadings is reported at 533 F. Supp. 3d 614 (E.D. Tenn. 2021), and reproduced at App. 3a–23a.

### **JURISDICTION**

The Federal Circuit entered judgment on January 19, 2022 (App. 1a–2a). This Court has jurisdiction under 28 U.S.C. § 1254(1).

### **STATUTORY PROVISION INVOLVED**

Section 101 of Title 35 of the U.S. Code provides: “Whoever 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.”

### **INTRODUCTION**

For nearly ten years, the Federal Circuit, district courts, and the U.S. Patent and Trademark Office (“USPTO”) have struggled to apply this Court’s two-step *Alice/Mayo* test for patent eligibility under 35 U.S.C. § 101. This is not disputed; the Federal Circuit

itself has admitted such. In fact, “every judge” on the Federal Circuit, along with numerous “commentators” and “amici,” have “request[ed] Supreme Court clarification” on this issue. *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 977 F.3d 1379, 1382 (Fed. Cir. 2020) (Moore, J., concurring).

The judges on the Federal Circuit have repeatedly described the chaotic nature of the law for § 101 and its non-textual exceptions. They have explained that “[t]he law . . . renders it near impossible to know with any certainty whether [an] invention is or is not patent eligible” with respect to computing technology. *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1348 (Fed. Cir. 2018) (Plager, J., concurring). “The abstract idea exception is almost impossible to apply consistently and coherently,” and “often leads to arbitrary results.” *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J., concurring in part). Indeed, the current Federal Circuit Chief Judge explained that the Federal Circuit has created “a panel-dependent body of law,” which is “destroying the ability of American business to invest with predictability.” *Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring).

This confusion and uncertainty from the Federal Circuit has, not unexpectedly, created wide disparities in how the lower courts rule on patent eligibility. For example, some district courts grant eligibility-based motions to dismiss at high rates, while others deny almost every such motion as a matter of course. Despite this chaos, the Federal Circuit has repeatedly refused to take up the *Alice/Mayo* framework *en banc*.<sup>1</sup>

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<sup>1</sup> The Federal Circuit’s inability to provide any coherent guidance on the standards for eligibility—let alone guidance consistent with this Court’s precedents—was laid bare in its 6–6

It has further exacerbated the problem by summarily affirming a large portion of its eligibility cases without opinion, as occurred here—thus failing to provide any oversight or guidance to the district courts.

Instead of confronting the issue *en banc*, the Federal Circuit is forcing the patent bar, in its own words, to “hope” for clarification from “the Supreme Court or Congress.” *Athena Diagnostics*, 927 F.3d at 1363 (Moore, J., dissenting). Any confusion or ambiguity in § 101 law, however, does not lay at the hands of Congress. Section 101 is quite clear on its face and includes “process[es]” or methods such as those at issue in this case. *See* 35 U.S.C. § 100(b) (defining “process” to mean “method”). Indeed, the Court previously explained that Congress took a “permissive approach to patent eligibility to ensure that ingenuity should receive a liberal encouragement.” *See Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (internal citations and marks omitted). The plague of confusion and ambiguity instead arises from judicially-created exceptions to § 101 “not required by the statutory text.” *Id.* Because the Court created these non-textual exceptions to the plain language of § 101, the Court should clarify those exceptions.

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denial to rehear *en banc* the *American Axle* case, now pending on a petition for writ of certiorari before the Court in Case No. 20–891 (docketed Jan. 5, 2021). *See Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 966 F.3d 1347 (Fed. Cir. 2020). As the judges themselves explained, they are “bitterly divided” on what the correct standards are for § 101. *Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring). In *Athena Diagnostics, Inc. v. Mayo Collaborative Servs., LLC*, 927 F.3d 1333 (Fed. Cir. 2019), the Federal Circuit similarly rejected *en banc* rehearing in a 7–5 vote that spawned eight different opinions (four concurring and four dissenting).

Because of the Federal Circuit’s exclusive role in deciding issues of patent law, the Federal Circuit’s confused application of the *Alice/Mayo* framework and its failure to provide guidance to the district courts is as close as the Court can get to a robust “circuit split” for patent cases. *See Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring). Thankfully, the Court has the opportunity to alleviate this chaos by granting certiorari in *American Axle* (or other pending petition raising § 101 questions) to clarify the two-step framework. The Court should hold this petition pending the Court’s consideration of *American Axle* (or other pending petition raising § 101 questions) and then grant, vacate and remand based on any such decision, so Spireon’s patent can be judged under a cogent and non-panel dependent standard for patent eligibility.

Alternatively, the Court should take up this case as a companion to *American Axle* (or other petition raising § 101 questions) for two reasons. First, because this case deals with the “abstract idea” exception that makes up 90 percent of § 101 challenges while *American Axle* regards a “law of nature,” deciding both petitions together would allow the Court to more fully address the patent-eligibility standard that has for too long plagued American innovation. Second, the lower courts have consistently misapplied settled procedural law by finding ineligibility on the pleadings (as in this case) and at summary judgment (as in *American Axle*). This case, therefore, would allow the Court to more fully speak to the factual nature of the non-textual exceptions and the proper approach for analyzing eligibility at the pleadings stage.

The Solicitor General has twice concluded “[t]he Court should grant review in an appropriate case to clarify the substantive Section 101 standards . . . .”

Brief for the United States, *HP Inc. v. Berkheimer*, No. 18–415 (Dec. 6, 2019), at 10; *see also* Brief for the United States, *Hikma Pharms. USA Inc. v. Vanda Pharms. Inc.*, No. 18–817 (Dec. 6, 2019), at 8. The Court should not let the § 101 issue fester any longer. The time has come for the Court to grant certiorari to clarify the non-textual exceptions to patent eligibility.

## STATEMENT OF THE CASE

### A. Statutory Background and the Non-Textual Exceptions to Patent Eligibility

Section 101 of the Patent Act defines patent-eligible subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The invention-at-issue in this petition firmly rests within those categories as a “process” (or method). *See* 35 U.S.C. § 100(b) (defining “process” to include “method”).

This Court, however, has provided three implicit exceptions to eligibility, “not required by the statutory text,” but as a “matter of statutory *stare decisis* going back 150 years.” *See Bilski*, 561 US. at 601–02. The exceptions are for “laws of nature, natural phenomena, and abstract ideas.” *Id.* at 101; *Alice Corp. Pty. v. Bank Int’l*, 573 U.S. 208, 216 (2014).

In *Alice* and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66, 71 (2012), the Court fashioned a two-part test to police these non-textual exceptions. At step one, the court determines whether the claims-at-issue are directed to one of the three exceptions. *Alice*, 573 U.S. at 218. If not, they are eligible for patenting. But if the claims are directed to an exception, it moves on to step two. There, the court considers the elements of each claim both individually and as an ordered combination to identify

whether each claim includes an “inventive concept” that “amounts to significantly more than a patent upon the ineligible concept itself.” *Id.* at 217–18. If they do, the claims are eligible.

In applying the above test, the Court warned that it “tread[s] carefully in construing” the exceptions lest they “swallow all of patent law.” *Id.* at 217. “At some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Id.* (quoting *Mayo*, 566 U.S. at 71). “Thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept.” *Id.* (citing *Diamond v. Diehr*, 450 U.S. 175, 187 (1981)).

The lower courts have admittedly struggled to apply the Court’s two-part framework. In doing so, they have departed from the Court’s warning and have swallowed much of patent law, as demonstrated by this case, *American Axle*, and other pending petitions before the Court such as *Ameranth, Inc. v. Olo, Inc.*, No. 21–1228 (docketed Mar. 10, 2022). Despite the Court’s explanation that “[a]pplications of [abstract] concepts to a new and useful end” are patentable, the Federal Circuit regularly holds to the contrary, or summarily affirms such decisions by the district courts. *See Alice*, 573 U.S. at 217 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)) (internal marks omitted).

“Eligibility” is only one of the many grounds for challenging the validity of a patent. The Patent Act includes numerous conditions and requirements for the issuance of a patent, and defendants accused of infringement may challenge validity as an affirmative defense based on most of those conditions, including eligibility under § 101. *See* 35 U.S.C. § 282(b); *Univ. of Fla. Research Found., Inc. v. Gen. Elec. Co.*, 916 F.3d 1363, 1365 (Fed. Cir. 2019) (holding defendants

may challenge the eligibility of a patent as an invalidity defense under § 282(b)). The Patent Act also requires each claim to be novel, nonobvious, definite, and supported by a written description that enables a person skilled in the art to practice the invention. *See* 35 U.S.C. §§ 102, 103, and 112.

Although invalidity is a defense, a patent challenger must overcome a strong presumption of validity to be successful. Congress mandated this presumption in 35 U.S.C. § 282(a) and explicitly placed the burden of proving invalidity, which includes ineligibility, on “the party asserting such invalidity.” *See Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1319 (Fed. Cir. 2019) (applying the presumption of validity to eligibility). This Court’s decision in *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91, 95 (2011), explained that the presumption of validity can only be rebutted with clear and convincing evidence of invalidity.

### **B. Spireon’s Patented Invention**

Spireon’s patent, U.S. Patent No. 10,089,598, relates to “an inventory management system configured to provide machine-to-machine network connectivity” including a “location device” installed in a vehicle. C.A.J.A.37 (col. 4, ll. 21–27).<sup>2</sup> Machine-to-machine network connectivity “refers to telemetry or telematics,” which “is a technology that allows the remote measurement and reporting of information.” C.A.J.A.36 (col. 1, ll. 19–22 & 30–34).

The location device described in Spireon’s patent is a “unique device” “configured to transmit a vehicle identification number (VIN) and an identifier of the

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<sup>2</sup> Citations to “C.A.J.A.\_\_\_\_” are to the Joint Appendix in the Federal Circuit, Case No. 21-1954, Dkt. 22.

location device.” C.A.J.A.37 (col. 4, ll. 21-27 & 48–52). The location device, which communicates wirelessly, connects “to a vehicle interface such as an on-board diagnostic interface (e.g. OBD-II),” found in the vicinity under the steering wheel in most conventional automobiles. *Id.* (col. 4, ll. 48–52 & 58-63); C.A.J.A.39 (col. 7, ll. 31-35). The device also includes a “system for determining a physical location,” e.g., “a GPS receiver.” C.A.J.A.38 (col. 6, ll. 54–65).

With Spireon’s invention, a remote computer can “review location information received from a location device” coupled to a vehicle. C.A.J.A.41 (col. 11, ll. 49–52); C.A.J.A.43 (col. 16, ll. 20–34). This allows one to remotely determine where the vehicle is and if, for example, the vehicle is “on or off the lot” of a car dealer. C.A.J.A.41 (col. 12, ll. 10–16). That is, the invention transforms and improves a conventional vehicle into a vehicle that exists as a trackable and addressable node on a network to enable communications between the vehicle and a remote computer.

But Spireon’s patented claims are not so broad. The patent also discloses and the claims are limited to a specific registration or pairing method, which allows the location device to be reusable and interchangeable across different vehicles. That is, the patent discloses and claims an improvement to the location device itself. In particular, the specification teaches a registration process, recited in Claim 1, in which the location device is “programmed or otherwise configured to retrieve the VIN of a vehicle when it is coupled with the vehicle, and to transmit . . . the VIN and its own identifier.” C.A.J.A.43 (col. 15, l. 63 – col. 16, l. 5); C.A.J.A.49 (claim 1). Then, the system is able to “review this information from the location device,” and “associate the device identifier with the VIN.” *Id.*

(col. 16, ll. 5–7). The patent also teaches the system is “configured to remove the device from a group of available dealer devices, wherein available dealer devices refers to devices owned by the dealer that are currently not coupled with any vehicle.” *Id.* (col. 16, ll. 11–19).

This way, a location device is registered as being associated with a certain vehicle owned by a dealer when coupled with the vehicle (*i.e.*, inserted into the OBD-II port), and the location device is determined to no longer be available for use. Spireon’s patent further teaches, and Claim 3 recites, the reverse process of deregistering a location device and disassociating with a vehicle when the location device is uncoupled or disconnected from that vehicle. C.A.J.A.44 (col. 17, l. 57 – col. 18, l. 10); C.A.J.A.49 (claim 3). That way, the location device is added back to the list of devices available for use and can be connected to and registered with a different vehicle. The patent thereby teaches a new and improved location device that is reusable and interchangeable across different vehicles in a new and improved method for managing inventory. Claim 1 of Spireon’s patent recites:

1. A method for managing a vehicle inventory for a dealer implemented by a computer having a processor and a memory, the method comprising:

- [a] while a location device is not communicatively coupled with a vehicle, associating the location device with a dealer’s group of available location devices in the memory, wherein the dealer’s group of available location devices comprises location devices owned by the dealer that are not coupled with any vehicle;

[b] communicatively coupling the location device with a vehicle;

[c] in response to the location device becoming communicatively coupled with the vehicle, the location device transmitting a connection notice over a network, the connection notice comprising a vehicle identifier and a location device identifier;

[d] receiving, by the computer, the connection notice from the location device over the network;

[e] in response to the connection notice received by the computer, the processor:

[1] associating the location device identifier with the vehicle identifier in the memory; and

[2] disassociating the location device from the dealer's group of available location devices in the memory; and

[f] receiving, by the computer, current location information from the location device.

C.A.J.A.49 (claim 1).

Spireon's patent discloses additional details, which are recited in dependent Claims 2–14. For example, the patent teaches the location device determining other information about the vehicle, such as the “voltage, and/or current of the vehicle battery.” C.A.J.A.39 (col. 7, ll. 53–58); C.A.J.A.43 (col. 15, ll. 32–48). This way, the location device can report that the vehicle's battery is low on charge. In addition, the patent details, and claims recite, operating the location device in a “sleep mode” when “it would be desirable for the device to consume relatively low power,

such as when the external power source (e.g. a vehicle battery) is low or dying, or if the device and/or object will not be used for a while.” C.A.J.A.42 (col. 14, ll. 56–66).

### **C. The Proceedings Below**

Procon filed a declaratory judgment complaint on June 3, 2019, and an amended complaint on August 6, 2019, both asserting non-infringement and invalidity under 35 U.S.C. §§ 102, 103, and/or 112. C.A.J.A.55–61; C.A.J.A.186–194. Four days before filing its initial complaint, Procon petitioned the Patent Trial and Appeal Board (“PTAB”) to institute a post-grant review (“PGR”), seeking to invalidate Spireon’s patent under 35 U.S.C. §§ 102 and 103. *See Procon Analytics, LLC v. Spireon, Inc.*, Case PGR2019–00051 (PTAB).

Neither the complaints nor the PGR petition asserted ineligibility under § 101 or the non-textual exceptions thereto. On August 26, 2019, Spireon filed an answer and counterclaim, asserting a single count of infringement. C.A.J.A.196–208. On November 22, 2019, the PTAB rejected Procon’s PGR petition. C.A.J.A.222. Procon filed its answer in district court on December 13, 2019, asserting (for the first time) an affirmative defense of invalidity under § 101. C.A.J.A.217.

On September 9, 2020, Procon filed a motion for judgment on the pleadings, arguing Spireon’s patent is ineligible for patenting. App. 2a. The district court granted the motion on April 4, 2021, finding every claim of Spireon’s patent to be directed to the abstract idea of “managing a vehicle inventory.” App. 12a, 23a. In so doing, the district court oversimplified each of the 14 claims all the way to the preamble— “[a] method for managing a vehicle inventory.”

C.A.J.A.49 (claim 1). The district court ignored every limitation in the body of the claims. Instead, the district court’s entire analysis of the limitations was nothing more than a generalization that the actual method steps are the “gathering and sharing of information,” which it wrote off as irrelevant. App. 16a.

In reaching this step-one conclusion, the district court conflated the non-textual exceptions of § 101 with the novelty and non-obviousness requirements of 35 U.S.C. §§ 102 and 103, making improper factual findings in the process. For example, it found the claimed “location device” was an “off-the-shelf tracking device.” App. 15a–16a; *see also id.* at 21a. But to the contrary, the patent specification itself actually discloses that the “location device” is “unique.” C.A.J.A.37 (col. 4, ll. 48–52). And while using the language “off-the-shelf,” it actually explains “[i]n an exemplary embodiment, a location device *may* be an off-the-shelf tracking device for a vehicle,” *i.e.*, the inventors envisioned a potential commercial embodiment of their novel invention as being sold off-the-shelf (*e.g.*, in retail stores). C.A.J.A.39 (col. 8, ll. 23–27) (emphasis added). There are no facts, properly considered on a Rule 12 motion, that such devices already were readily available off-the-shelf prior to the invention, let alone that such devices could already practice the claimed invention including its recited method steps. That is, there was no evidence of pre-existing location devices configured to be reusable and interchangeable as recited in the claims. Thus, the district court drew inferences *against* Spireon based on an improper understanding of the patent specification, in violation of the standard for Rule 12 motions.

The district court also found that Spireon’s patent “is directed to tasks inherent to the business practice and process of vehicle inventory management that have been available as long as the existence of car dealerships.” App. 16a. Yet, there were no properly considered facts available to support such an assertion. Dealers or owners of vehicles could not conveniently track their vehicles; conventional vehicles don’t automatically report back device and vehicle identifiers and their current location, as recited in Spireon’s patent. So not only did the district court misapply the standard for evaluating Rule 12 motions to reach its step-one conclusion, its conclusion was factually and legally incorrect.

As to step two, the district court found the claims failed to add any inventive concept beyond the purported abstract idea, and in doing so, it again reached incorrect factual conclusions contrary to the Rule 12 standard. The district court ignored that the claimed “location device” was described as “unique” in the specification, and thus not routine or conventional. It further ignored the actual method steps within the claims that recite specific steps allowing the location device to be reusable and interchangeable between vehicles. App. 16a–23a.

Instead, the district court conflated the requirements of § 101 with the enablement and written description requirements of § 112. It repeatedly criticized the claims for describing “*functions . . .* without providing *how* those functions are achieved.” App. 18a–19a (emphasis in original). The district court missed that patents are interpreted from the perspective of a person of ordinary skill in the art. Such a person would not consider the method steps to be merely functional. In addition, such a skilled artisan would

fully understand how to practice the claimed invention in light of the specification. Still, these are factual matters that should be decided based on evidence; they are not properly decided on a motion for judgment on the pleadings.

Spireon timely appealed the district court's judgment. The Federal Circuit held oral argument on January 14, 2022. On January 19, 2022, the Federal Circuit affirmed the district court's ineligibility ruling, without explanation or opinion, in a judgment pursuant to Federal Circuit Rule 36.<sup>3</sup> App. 1a–2a.

## **REASONS FOR GRANTING THE PETITION**

### **I. THIS CASE SHOULD BE DECIDED UNDER ANY MERITS DECISION IN *AMERICAN AXLE*.**

This petition presents the same questions as the petition for a writ of certiorari filed in *American Axle*, No. 20–891, in which the Court has called for the views of the Solicitor General. If the Court grants the petition in *American Axle* or another similar petition presenting § 101 questions, then the merits decision there should dictate the outcome of this petition.<sup>4</sup> The Court, therefore, should hold this petition pending its consideration and final disposition of *American*

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<sup>3</sup> A Rule 36 judgment is non-precedential and “does not endorse or reject any specific part of the trial court’s reasoning.” *Rates Tech., Inc. v. Mediatix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012).

<sup>4</sup> Similar § 101 questions have been raised in at least three other pending petitions for certiorari. See *Interactive Wearables, LLC v. Polar Electro Oy*, No. 21–1281 (docketed Mar. 22, 2022); *Ameranth, Inc. v. Olo, Inc.*, No. 21–1228; and *Universal Secure Registry LLC v. Apple Inc.*, No. 21–1056 (docketed Jan. 31, 2022).

*Axle* or another similar petition, and resolve this petition as appropriate in light of any decision(s) on § 101 questions.

If the Court grants certiorari in *American Axle* on the first question of “the appropriate standard for determining whether a patent claim is ‘directed to’ a patent-ineligible concept,” then the judgment here should be vacated and remanded so that the lower court can apply the standard articulated by the Court. For example, in *American Axle*, the Federal Circuit oversimplified a patent claim reciting a method of manufacturing an improved driveshaft for an automobile, finding it was simply “directed to the use of a natural law: Hooke’s law” ( $F=kx$ ). *Am. Axle & Mfg., Inc. v. Neapco Holdings LLC*, 967 F.3d 1285, 1298 (Fed. Cir. 2020). Here too, the district court overgeneralized the claims to their preamble, and ignored the recited limitations and method steps to find the claims were directed to an abstract idea.

Similarly, if the Court grants certiorari in *American Axle* on the second question of whether “patent eligibility (at each step of the Court’s two-step framework)” involves a “question of fact for the jury based on the state of art at the time of the patent,” then the judgment here also should be vacated and remanded. In this case, eligibility was decided on a motion for judgment on the pleadings, in which all factual inferences must be construed in the light most favorable to the non-movant, *i.e.*, *Spireon. E.g., Anders v. Cuevas*, 984 F.3d 1166, 1174 (6th Cir. 2021). But the district court instead ruled as a matter of law and made factual determinations in its analysis of both steps of the framework. For example, it found (1) the claimed “location device” was “off-the-shelf,” (2) tracking a vehicle inventory as recited in the claims had been “available as long as the existence of car

dealerships,” (3) the recited method steps were “routine and conventional,” and (4) a skilled person in the art would not know “*how*” to achieve the “results highlighted” in Spireon’s patent. App. 15a–16a & 18a–20a. To the extent the Court finds that questions of fact impact either step of the *Alice/Mayo* framework, then its ruling would require reconsideration here.

In view of the overlapping questions presented here and in *American Axle* and other pending petitions, Spireon requests that the Court hold this petition pending a merits outcome in any granted petition raising § 101 questions, and then grant this petition, vacate the judgment below, and remand this case to the Federal Circuit for further proceedings consistent with such merits decision(s). Alternatively, this case’s procedural posture would allow it to serve as an ideal companion case to *American Axle* (or other pending § 101 petition), and the Court should grant certiorari in this case so that it may be considered on the merits with *American Axle* or another pending § 101 petition.

**II. AS THE PETITION IN *AMERICAN AXLE* MAKES CLEAR, THE FEDERAL CIRCUIT IS BEGGING FOR GUIDANCE ON THE NON-TEXTUAL EXCEPTIONS TO PATENT ELIGIBILITY UNDER § 101.**

Judge Kathleen O’Malley, retired from the Federal Circuit as of last month, recently explained, “all 12 active judges” on the Federal Circuit are “beg[ging] the Supreme Court for guidance” on § 101.<sup>5</sup> Chief Judge Moore has similarly explained that the Federal Cir-

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<sup>5</sup> Dani Kass, *From Alice to Fintiv: Judge O’Malley Dishes on Patent Law*, Law360 (Mar. 23, 2022), available at <https://www.law360.com/ip/articles/1476073/from-alice-to-fintiv-judge-o-malley-dishes-on-patent-law> (last accessed Apr. 5, 2022).

cuit’s “confusion [of the *Alice/Mayo* framework] has driven commentators, amici, and every judge on [the Federal Circuit] to request Supreme Court clarification.” *Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring).

The need for this Court’s grant of certiorari is best exemplified by the Federal Circuit’s 6–6 vote to deny rehearing *en banc* in the *American Axle* case. See *Am. Axle*, 966 F.3d 1347. The nation’s lone patent appeals court is at both loggerheads and a standstill. The Federal Circuit has turned the two-step test into “a panel-dependent body of law,” as the judges themselves recognize. See *Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring). But the creation of new innovations are essential to the U.S. economy. Patent owners spend millions of dollars in acquiring and commercializing patents. Yet no one, not even the judges on the Federal Circuit, can tell with any certainty whether a patent passes the initial eligibility threshold. This randomness, unpredictability, and non-uniformity created by the Federal Circuit is simply untenable.

The Federal Circuit refuses to decide § 101 as a full court to clarify the law. Indeed, in another case denying *en banc* rehearing (in a 7–5 vote), now-Chief Judge Moore told the patent community: “No need to waste resources with additional *en banc* requests. Your only hope lies with the Supreme Court or Congress.” *Athena Diagnostics, Inc.*, 927 F.3d at 1363 (Moore, J., dissenting). The Federal Circuit also refuses to even provide oversight the district courts in a large percentage of its eligibility cases, including the one here, simply affirming them without comment

or opinion.<sup>6</sup> In fact, one study showed that the Federal Circuit summarily affirmed without opinion over 50 percent of its eligibility cases in the first three years after the Court’s *Alice* decision—all of which upheld findings of ineligibility.<sup>7</sup>

This lack of guidance and oversight from the Federal Circuit has created wide deviations among the district courts. Despite one-fifth of all patent cases in recent years being filed in the Western District of Texas before Judge Albright, he did not grant a motion to dismiss based on ineligibility until December 2021.<sup>8</sup> Similarly, the Eastern District of Texas has had a very low grant rate for motions to dismiss on ineligibility (less than 20 percent in 2021). On the other hand, the Northern District of California granted the vast majority of such motions (~75 percent in 2021).<sup>9</sup> Not surprisingly, this non-uniform application of the

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<sup>6</sup> Currently pending before this Court are (1) *Interactive Wearables, LLC v. Polar Electro Oy*, No. 21–1281, and (2) *Ameranth, Inc. v. Olo, Inc.*, No. 21–1228. These cases too were summarily affirmed, without opinion, by the Federal Circuit.

<sup>7</sup> Paul R. Gugliuzza and Mark A. Lemley, Can a Court Change the Law by Saying Nothing?, 71 *Vanderbilt L. Rev.* 766, 767 (2018) (indicating the Federal Circuit decided 104 cases under the *Mayo/Alice* framework, and 54 of those were Rule 36 affirmances).

<sup>8</sup> Quinn Emanuel, U.S. District Judge Alan Albright Grants First Two Section 101 Motions, *available at* <https://www.quinnemanuel.com/the-firm/publications/lead-article-u-s-district-judge-alan-albright-grants-first-two-section-101-motions/> (last accessed Apr. 13, 2022).

<sup>9</sup> Statistics come from Docket Navigator (docketnavigator.com). In 2021, the Eastern District of Texas denied 14 motions and granted three. In 2021, the Northern District of California denied three motions and granted nine. Results categorized as “partial” or “other” have been excluded.

Court's *Mayo/Alice* framework has contributed to Texas being the preferred forum for many patent owners. Yet, the Federal Circuit continues to routinely affirm these decisions without comment, failing to provide oversight or guidance to the district courts.

Spireon respectfully submits it is now time for the Court to address the judicial exceptions to § 101. Clear guidance to the lower courts and consistent application of the *Alice/Mayo* framework is essential for American innovation.

### **III. THE COURTS ARE BITTERLY DIVIDED ON HOW TO APPLY THE COURT'S TWO-STEP FRAMEWORK.**

As is evident from *American Axle* and the other pending petitions raising § 101 questions, the lower courts are divided on how to apply the Court's two-step framework for eligibility. At step one, courts must determine whether the patent claim is directed to a "patent-ineligible concept." *Alice*, 573 U.S. at 217. This Court, however, has not yet established any specific rule or test for identifying an abstract idea or a natural law. Because the claims in *Alice* were clearly directed to an abstract idea, the Court held that it "need not labor to delimit the precise contours of the 'abstract ideas' category." *Id.* at 221. The issue was left for development in later cases, but the Federal Circuit has repeatedly failed to provide any coherent guidance on identifying abstract ideas or natural laws.

As an example of this confusion, the Federal Circuit and district courts overgeneralize claims in search of an abstract idea or natural law. In *American Axle*, the Federal Circuit summed up a patent claim reciting a

specific method of manufacturing an automobile driveshaft as being simply “directed to the use of a natural law: Hooke’s law” ( $F=kx$ ), *Am. Axle*, 967 F.3d at 1298, even though Hooke’s law was not recited in the claims. In the present case, the district court found the claims directed to the abstract idea of “managing a vehicle inventory,” mimicking the claims’ preamble, with no analysis of what the actual limiting method steps add. App. 11a–16a. Similarly, in *CardioNet, LLC v. InfoBionic, Inc.*, 816 F. App’x 471, 472 (Fed. Cir. 2020), claims in the field of “mobile cardiac telemetry” devices, which “monitor the electrical activity of a patient’s heart” for “anomalies . . . such as cardiac arrhythmias,” were found ineligible. *Id.* at 477. While the claims there recited a “monitoring system” that the specification explained could be an “implantable medical device,” the Federal Circuit found they were just “collecting, analyzing, and displaying data.” *Id.* at 475; U.S. Patent No. 7,212,850, col. 2, ll. 27–34.

Such oversimplification of patent claims in search of an ineligible concept is contrary to this Court’s precedent. The Court has explained that courts must “tread carefully” at step one lest they “swallow all of patent law” since, “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Alice*, 573 U.S. at 217 (quoting *Mayo*, 566 U.S. at 71). Indeed, overgeneralizing claims, “if carried to its extreme, make[s] all inventions unpatentable because all inventions can be reduced to underlying principles of nature which, once known, make their implementation obvious.” *Diehr*, 450 U.S. at 189 n.12. Yet, that is exactly what the Federal Circuit and district courts repeatedly do in § 101 cases.

Despite this Court’s holding that “applications” of abstract ideas or laws of nature are eligible for patenting, they are often found ineligible determinations that are entirely dependent on the particular district judge or Federal Circuit panel composition. Methods of making improved driveshafts and systems that detect arrhythmias and save lives are no longer patentable. Although some panels have criticized proceeding at a high level of abstraction that is untethered from the claim language and that overgeneralizes the claim the lower courts are bitterly divided and inconsistently apply the *Alice/Mayo* framework. *See, e.g., TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278, 1295 (Fed. Cir. 2020).

Indeed, as one Federal Circuit judge explained, “the closest our cases come to a definition [for an abstract idea] is to state examples of what prior cases have contained, and which way they were decided.” *Interval*, 896 F.3d at 1350 (Plager, J., concurring). But the Federal Circuit’s anecdotal cases are unreliable because they are internally and irreconcilably inconsistent. For example, the Federal Circuit has held improved graphical user interfaces are *both* eligible and ineligible. *Compare Core Wireless Licensing S.A.R.L. v. LG Elecs., Inc.*, 880 F.3d 1356, 1361–63 (Fed. Cir. 2018), *with Internet Pats. Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1344–49 (Fed. Cir. 2015). It has made similarly inconsistent findings with respect to virus-scanning software programs. *Compare Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1303–06 (Fed. Cir. 2018), *with Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1319–22 (Fed. Cir. 2016). These are just the tip of the iceberg, as *American Axle* demonstrates.

In some cases, the Federal Circuit has created a non-exclusive test for determining whether a claim is

directed to an ineligible concept. In these cases, the court “look[s] to whether the claims . . . focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.” *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016). If a patent claim is directed to a “technological improvement” or “solution,” then it is not directed to an abstract idea. *Id.* at 1316; *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1339 (Fed. Cir. 2016).

There is, however, disagreement within the Federal Circuit on this test. While some panels have treated it as a matter of *Alice* step one, others find it relevant to step two (or perhaps both steps). *See, e.g., CosmoKey Solutions GmbH v. Duo Security LLC*, 15 F.4th 1091 (Fed. Cir. 2021). In *CosmoKey*, the claim-at-issue survived under step two because the claims recited “a specific improvement” and a “technical solution to a security problem in networks.” *Id.* at 1098; *see also Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1303 (Fed. Cir. 2016) (similarly addressing a technological solution under step two). The concurrence, however, criticized the analysis, finding the claim passed step one for essentially the same reason, because it was directed to “a specific technological solution to a technological problem.” *CosmoKey Solutions*, 15 F.4th at 1100 (Reyna, J., concurring). Given this disagreement within the Federal Circuit, it is no wonder that resolutions on eligibility vary widely in the district courts.

Case law also is chaotic on the extent to which the other conditions of patentability are relevant to the eligibility analysis. This Court has explained § 101 is

only a “threshold test,” and even if the claim is eligible, it “must also satisfy the conditions and requirements” of the Patent Act including that the invention must be “fully and particularly described” under 35 U.S.C. § 112. *Bilski*, 561 U.S. at 602. Some Federal Circuit cases, therefore, have correctly recognized that whether the “specification teaches an ordinarily skilled artisan how to implement the claimed invention presents an issue under 35 U.S.C. § 112, not an eligibility issue.” *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1261 (Fed. Cir. 2017) (referring to the enablement requirement of § 112). Other courts, however, have not, as demonstrated by *American Axle*, the present case, and *Interactive Wearables* (petition pending before the Court at No. 21–1281). See *Interactive Wearables, LLC v. Polar Electro Oy*, 501 F. Supp. 3d 162, 178–84 (E.D.N.Y. 2020) (engaging in a § 112-like analysis, but as a matter of law).

According to the *American Axle* panel decision, under the two-step framework, the claim “must go beyond stating a functional result; it must identify ‘how’ the functional result is achieved by limiting the claim scope to structures specified at some level of concreteness, in the case of a product claim, or to concrete action, in the case of a method claim.” *Am. Axle*, 967 F.3d at 1302. According to the judges dissenting in the denial of a rehearing *en banc*, this is essentially a “heightened enablement” requirement, improperly imported from § 112 into § 101. *Am. Axle*, 966 F.3d at 1363 (Stoll, J., dissenting). As the dissent explained, it is also entirely “unclear how much more ‘how to’” is sufficient for the other half of the Federal Circuit to pass the threshold eligibility requirement. *Id.*

In the present case, the district court similarly used an improper heightened enablement standard. In a

brief analysis of the actual method steps of Spireon's patent, the district court described them as mere "*functions* of associating, disassociating, and communicative coupling," and said Spireon's patent fails to "provid[e] *how* those functions are achieved." App. 18a–19a. Spireon asserted that each limitation actually does recite "a concrete step where the location device performs a *specific* action or that something happens in response to the *specific* action being performed by the location device." App. 19a. But the judge looked at the first word of the method steps (*e.g.*, associating), ignored the rest, and decided they were functional and that there was not enough "how to" in the specification as a matter of law. That is, the district court, like the panel in *American Axle*, invoked a heightened enablement standard, judged as a matter of law, instead of the normal enablement standard, which is judged from the perspective of a skilled artisan. *See Alcon Research Ltd. v. Barr Labs., Inc.*, 745 F.3d 1180, 1188 (Fed. Cir. 2014) ("a challenger must show by clear and convincing evidence that a person of ordinary skill in the art would not be able to practice the claimed invention without 'undue experimentation'").

Section 101 case law is currently in a state of disarray. The Federal Circuit has repeatedly signaled that it is either unable or unwilling to fix the issue or rule as an *en banc* court, instead summarily affirming, in many cases, divergent ineligibility decisions from the district courts. To prevent further harm to inventors and the U.S. economy, the Court should accept the Federal Circuit's invitation and reign in the Federal Circuit's "dramatic expansion" of this Court's precedents. *Am. Axle*, 977 F.3d at 1382 (Moore, J., concurring).

**IV. THE LACK OF CLEAR GUIDANCE FROM THE FEDERAL CIRCUIT HAS CAUSED THE LOWER COURTS TO IMPROPERLY DECIDE FACTUAL DISPUTES AT THE PLEADINGS STAGE TO DETERMINE ELIGIBILITY, VIOLATING RULE 12 STANDARDS.**

The current incoherent state of the law surrounding subject-matter eligibility in the lower courts has also bled into foundational procedural errors by those courts. As an initial matter, the Federal Circuit’s cases are unclear to the extent eligibility is a matter of law or a mixed question of fact and law. Certain decisions have indicated the second step of *Alice*, whether the claims recite an inventive concept, is a factual question. *See, e.g., Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018). But step one is typically treated as a legal issue, even though the Federal Circuit routinely asks whether the patent claims recite a “technological improvement” or “solution” to a “technological problem,” which are factual issues. *See, e.g., McRO*, 837 F.3d at 1314; *Enfish*, 822 F.3d at 1339.

As a result of the Federal Circuit’s confusing eligibility record, district courts regularly and improperly find patents ineligible at the Rule 12 and summary judgment stages, even though factual issues and the presumption of validity should typically preclude such rulings. *See, e.g., C.A.J.A.16* (dismissing case on the pleadings and finding, without evidence, that the claims “rel[y] on routine and conventional methods” for achieving the desired results); *see also Am. Axle*, 967 F.3d at 1305 (Moore, J., dissenting) (criticizing the majority for deciding eligibility at summary judgment and “convert[ing] factual issues into legal ones”). Even after the Federal Circuit held

that step two contains issues of fact, district courts continued to dismiss patent cases at the pleadings stage on eligibility grounds at a rate of 40 percent.<sup>10</sup> And, like in this case, the Federal Circuit frequently summarily affirms these decisions, failing to correct this error.<sup>11</sup> In fact, district courts have allowed juries to address some aspect of the *Alice/Mayo* framework in only four cases—all in a single district.<sup>12</sup>

This trend by many of the district courts is especially disturbing in the context of motions to dismiss or for judgment on the pleadings under Rule 12 of the Federal Rules of Civil Procedure. At the pleadings stage, this Court requires “the plaintiff plead[] factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); see 5C Charles Alan Wright & Arthur R. Miller, *Federal Practice & Procedure: Civil* (3d ed. 2002). Allegations and factual disputes by the moving party

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<sup>10</sup> See Eric M. Acker, *Business As Usual After Berkheimer?*, Fed. Law., May/June 2019, at 52-53.

<sup>11</sup> See, e.g., App. 2a; *SmileDirectClub, LLC v. Candid Care Co.*, 856 F. App'x 893 (Fed. Cir. 2021); *Interactive Wearables, LLC v. Polar Electro Oy*, No. 2021-1491, 2021 WL 4783803 (Fed. Cir. Oct. 14, 2021); *Ameranth, Inc. v. Olo Inc.*, No. 2021-1211, 2021 WL 4699180 (Fed. Cir. Oct. 8, 2021); *Cybergenetics Corp. v. Inst. of Env't Sci. & Rsch.*, 856 F. App'x 312 (Fed. Cir. 2021); *Gabara v. Facebook, Inc.*, 852 F. App'x 541 (Fed. Cir. 2021), *cert. denied*, 142 S. Ct. 1233 (2022); *Monument Peak Ventures, LLC v. Toshiba Am. Bus. Sols., Inc.*, No. 2021-1052, 2021 WL 5876038 (Fed. Cir. Dec. 13, 2021).

<sup>12</sup> C. Graham Gerst & Lilly Parker, *Section 101 on Trial: Understanding How Eligibility Issues Have Fared Before Judges*, available at <https://www.ipwatchdog.com/2022/01/31/section-101-trial-understanding-eligibility-issues-fared-juries> (last accessed Apr. 14, 2022).

should not be considered. For Rule 12 motions based on an affirmative defense, a plaintiff need not “specially plead or demonstrate” facts to rebut the defense. *Jones v. Bock*, 549 U.S. 199, 216 (2007); see, e.g., *Xechem, Inc. v. Bristol-Myers Squibb Co.*, 372 F.3d 899, 901 (7th Cir. 2004) (“[P]laintiffs need not anticipate and attempt to plead around all potential defenses. Complaints need not contain any information about defenses and may not be dismissed for that omission.”).

When analyzing a motion to dismiss or for judgment on the pleadings based on subject-matter ineligibility, courts must acknowledge that Congress mandates all issued patents are presumed valid, and that a party asserting invalidity must show by clear and convincing evidence that each of the challenged patent claims are independently invalid. See 35 U.S.C. § 282(a); *Microsoft Corp.*, 564 U.S. at 95. With the combination of a thumb-on-the-scale for non-movants facing Rule 12 motions and the presumption of validity, one would expect courts would be reluctant to find a patent invalid on a Rule 12 motion. But that is not the case. Instead, the lower courts (with exceptions for certain districts) routinely find issued patents invalid as ineligible at the Rule 12 stage.<sup>13</sup>

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<sup>13</sup> See, e.g., *Universal Secure Registry LLC v. Apple Inc.*, 10 F.4th 1342, 1358 (Fed. Cir. 2021); *Simio, LLC v. FlexSim Software Prod., Inc.*, 983 F.3d 1353, 1364 (Fed. Cir. 2020); *Realtime Data LLC v. Array Networks Inc.*, 537 F. Supp. 3d 591, 621 (D. Del. 2021); *Mgmt. Sci. Assocs., Inc. v. Datavant, Inc.*, 510 F. Supp. 3d 238, 250 (D. Del. 2020); *Quad City Pat., LLC v. Zoosk, Inc.*, 498 F. Supp. 3d 1178, 1189 (N.D. Cal. 2020); *Google LLC v. Sonos, Inc.*, 498 F. Supp. 3d 1138, 1155 (N.D. Cal. 2020).

To make matters worse, the lower courts have effectively created a new pleading standard for patent cases, even though a patent’s validity should not be dependent on allegations in a complaint. For example, when courts decide Rule 12 eligibility motions in a patent owner’s favor, they frequently rely on statements of fact in the complaint or patent specification. *See, e.g., Cellspin Soft*, 927 F.3d at 1316–17 (relying heavily on the complaint’s factual statements supporting plaintiff’s unconventional arguments); *Fitbit, Inc. v. AliphCom*, 233 F. Supp. 3d 799, 812 (N.D. Cal. 2017) (relying on factual allegations in the patent to deny judgment on the pleadings); *cf. Berkheimer*, 881 F.3d at 1368 (reversing summary judgment of ineligibility due to issues of fact).

In fact, in one case, the Federal Circuit not only reversed a district court based on statements in the patent specification, but it found the patent eligible under step two as a matter of law based on those statements. *See, e.g., CosmoKey*, 15 F.4th at 1093, 1098. That is, the Federal Circuit deprived the challenger of the opportunity to establish on summary judgment or at trial that the statements in the patent were factually incorrect. Instead, it accepted statements in the patent as doctrinally unfalsifiable, making patent eligibility once again “depend simply on the draftsman’s art,” a result this Court has repeatedly rejected. *Alice*, 573 U.S. at 224 (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978)).

Patent owners should be allowed to present evidence and conduct discovery to rebut an eligibility challenge (as should challengers in an attempt to establish ineligibility). But the courts, including the district court here, have completely flipped the analysis, effectively requiring facts to establish eligibility

be either pled in the complaint or stated in the patent specification, even though such statements are not required by the Federal Rules or the Patent Act. *See, e.g.*, Fed. R. Civ. P. 8; 35 U.S.C. § 112; *see also Jones*, 549 U.S. at 212 (“[C]ourts should generally not depart from the usual practice under the Federal Rules on the basis of perceived policy concerns.”).

The Federal Circuit has gone so far as to clearly state its *de facto* new pleading standard, explaining that “eligibility can be determined at the Rule 12[] stage . . . when there are no factual allegations that, taken as true, **prevent** resolving the eligibility question as a matter of law.” *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018) (emphasis added). This approach is contrary to the law, which requires the non-movant’s pleaded facts, taken as true, to **compel** resolving the issue in the movant’s favor.

Indeed, outside of the patent-eligibility context, courts generally agree that plaintiffs are not required to preemptively plead facts to rebut affirmative defenses. *See Jones*, 549 U.S. at 216; *Bushong v. Delaware City Sch. Dist.*, 851 F. App’x 541, 545 (6th Cir. 2021); *Xechem*, 372 F.3d at 901. Plaintiffs need only plead facts sufficient to justify their own claims. In other words, granting a Rule 12 motion in favor of an affirmative defense is only appropriate when the non-movant “plead[s] itself out of court” by alleging facts that **necessarily** demonstrate that the movant’s affirmative defense defeats their claim. *See Xechem*, 372 F.3d at 901 (“Only when the plaintiff pleads itself out of court—that is, admits all the ingredients of an impenetrable defense—may a complaint that otherwise states a claim be dismissed under Rule 12(b)(6).”); *see also Riverview Health Inst. LLC v. Med.*

*Mut. of Ohio*, 601 F.3d 505, 512 (6th Cir. 2010). Failure to plead facts to rebut a defense does not warrant a finding that the defense will prevail at the pleadings stage. See *Gomez v. Toledo*, 446 U.S. 635, 641 (1980) (finding 42 U.S.C. § 1983 plaintiffs need not plead bad faith to preemptively rebut the affirmative defense of good faith).

The current practice across many of the district courts of granting Rule 12 ineligibility motions and ruling on patent-eligibility as a pure matter of law based only on the contents of the patent and complaint is contrary to established law regarding affirmative defenses. Subject-matter ineligibility, like all invalidity arguments, is an affirmative defense, meaning the burden to show ineligibility is on the patent challenger. To prevail on an affirmative defense via a Rule 12 motion, the non-movant's pleadings must themselves conclusively demonstrate the soundness of the defense. See, e.g., *Jones*, 549 U.S. at 216.

The district courts and the Federal Circuit have shown that they are incapable of properly applying § 101 law on motions on the pleadings or even at summary judgment. The Court, therefore, should take this opportunity to provide guidance regarding the proper test for subject-matter eligibility, including the fact versus law distinction, and its role in judgment before trial (whether on Rule 12 motions, as in this case, or on summary judgment, as in *American Axle*).

**V. THIS CASE WOULD BE AN IDEAL COMPANION CASE FOR REVIEW WITH *AMERICAN AXLE*.**

The Solicitor General has twice concluded “[t]he Court should grant review in an appropriate case to

clarify the substantive Section 101 standards.” Brief for the United States, *HP Inc. v. Berkheimer*, No. 18–415, at 10; *see also* Brief for the United States, *Hikma Pharms. USA Inc. v. Vanda Pharms. Inc.*, No. 18–817, at 8.

By granting certiorari in *American Axle* and this case (or one of the other pending § 101 petitions), the Court can simultaneously consider cases that involve multiple judicial exceptions to eligibility—both a “law of nature” in *American Axle* and an “abstract idea” in this case. The Court can then clarify the standards for patent eligibility across different technologies and judicial exceptions. Given that over 90 percent of § 101 challenges invoke an abstract idea, as opposed to a law of nature, the additional flexibility provided by granting certiorari in this case as a companion case to *American Axle* would be particularly helpful to the Federal Circuit and patent community.<sup>14</sup>

In addition, eligibility was decided in *American Axle* on summary judgment, while here it was decided on a motion for judgment on the pleadings. Taking up both cases together, therefore, will provide the Court with an opportunity to fully flesh out the fact versus law distinctions at issue in the second question for review. Despite patents being presumed valid under 35 U.S.C. § 282(a) and there being no requirement to affirmatively plead facts to rebut an affirmative defense, there have been numerous cases, affirmed by the Federal Circuit, invalidating patents at the pleadings stage. This case, therefore, provides the

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<sup>14</sup> Docket Navigator’s Special Report, *Alice* Through the Looking Glass (2018), at 7, *available at* <http://brochure.docketnavigator.com/alice/> (accessed on Apr. 8, 2022) (showing that 437 out of 475 post-*Alice* § 101 challenges through Q4 2018 involved an abstract idea).

Court with a unique opportunity to confront that concern.

The Court, therefore, should consider taking up this case with *American Axle* (or other similar petition raising § 101 issues) to fully address and clarify the non-textual exceptions to § 101 of the Patent Act.

### CONCLUSION

The petition for a writ of certiorari should be held pending the Court's consideration and disposition of *American Axle* or any other pending petition presenting questions under 35 U.S.C. § 101, and then granted, vacated, and remanded in light of any such merits decision. Alternatively, the petition should be granted and considered together with *American Axle* or other similar petition.

Respectfully submitted,

KATHLEEN E. KRAFT  
THOMPSON COBURN LLP  
1909 K Street, N.W.,  
Suite 600  
Washington, DC 20006  
(202) 585-6900

DAVID B. JINKINS  
*Counsel of Record*  
ANTHONY F. BLUM  
ALAN H. NORMAN  
NATHAN C. FONDA  
THOMPSON COBURN LLP  
One U.S. Bank Plaza  
St. Louis, MO 63101  
(314) 552-6000  
djinkins@thompsoncoburn.com

*Counsel for Petitioner Spireon, Inc.*

April 19, 2022

## **APPENDIX**

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**APPENDIX A**

NOTE: This disposition is nonprecedential.

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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2021-1954

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PROCON ANALYTICS, LLC,

*Plaintiff-Appellee*

v.

SPIREON, INC.,

*Defendant Appellant*

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Appeal from the United States District Court  
for the Eastern District of Tennessee in  
No. 3:19-cv-00201-JPM-HBG,  
Chief Judge Jon P. McCalla

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**JUDGMENT**

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SETH R. OGDEN, Patterson Intellectual Property  
Law, PC, Nashville, TN, argued for plaintiff-appellee.  
Also represented by EDWARD D. LANQUIST, JR.,  
NATHAN I. NORTH.

ANTHONY F. BLUM, Thompson Coburn LLP, St.  
Louis, MO, argued for defendant-appellant. Also  
represented by NATHAN FONDA, ALAN H. NORMAN;  
TAYLOR A. WILLIAMS, Paine Tarwater & Bickers LLP,  
Knoxville, TN.

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2a

THIS CAUSE having been heard and considered, it is  
ORDERED and ADJUDGED:

PER CURIAM (MOORE, *Chief Judge*, PROST and  
TARANTO, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

January 19, 2022

Date

ENTERED BY ORDER OF THE COURT

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

3a

**APPENDIX B**

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TENNESSEE  
KNOXVILLE DIVISION

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Case No. 3:19-cv-201

JURY DEMAND

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PROCON ANALYTICS, LLC,

*Plaintiff,*

v.

SPIREON, INC.,

*Defendants.*

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ORDER GRANTING PLAINTIFF'S MOTION  
FOR JUDGMENT ON THE PLEADINGS

Before the Court is Plaintiff Procon Analytics, LLC's ("Procon") Motion for Judgment on the Pleadings ("§ 101 Motion"), filed on September 9, 2021. (ECF No. 40.) For the following reasons, the Court GRANTS the motion.

I. BACKGROUND

A. Factual Background

Plaintiff Procon is a Tennessee limited liability company with a principal place of business in Irvine, California (ECF No. 9 ¶ 1), and Defendant Spireon, Inc. ("Spireon") is a Tennessee corporation with offices in Irvine, California and Knoxville, Tennessee (ECF No. 9 ¶ 2). Both parties are competitors in the connected car and vehicle management fields. Procon

“offers a suite of connected-car products and services, including vehicle inventory management and service retention products, fleet-management tools, and other aftermarket solutions packaged for automotive retailers.” These products include both hardware and software solutions. (ECF No. 9 ¶¶ 22-26.) One such product is a software that helps new car automotive dealerships manage their inventory. (*Id.* ¶ 23.) Another product that Procon sells is a device that connects to the “on-board diagnostics (OBDII) port (or a panel attached thereto) of a vehicle.” (*Id.* ¶ 25.) This device is enabled to “transmit information to the cloud over a wireless network.” (*Id.*) Similarly, Spireon purports to be an “industry leader in Mobile Resource Management, offering lot management solutions to [the] automotive dealer industry.” (ECF No. 1-1 at PageID 9.) Spireon asserts that it is a “leader in the field of connected vehicle intelligence” and sells products that “facilitate[] the tracking, management, and protection of vehicles in various commercial applications and industries.” (ECF No. 10 at PageID 197.) It is Spireon’s contention that Procon continues “making, selling, and offering for sale products and services for managing vehicle inventory for dealerships that infringe on certain claims of the ’598 Patent[.]” (ECF No. 10 at PageID 198.)

U.S. Patent No. 10,089,598 (the “’598 Patent”) is entitled “Methods and Apparatus for Monitoring and Control of Electronic Devices” and primarily discloses a method for machine to machine telemetry. The patent defines “telemetry” as “a technology that allows the remote measurement and reporting of information of interest to the system designer or operator.” (’598 Patent, col. 11. 19-21.)

At its heart, the '598 Patent discloses an “inventory management system” that “may be configured to provide machine-to-machine network connectivity” and “may be used in conjunction with a location device configured to transmit a vehicle identification number (VIN) and a device identifier of the location device.” '598 Patent at Abstract. The technology of the '598 Patent boils down to methods of communicating and gathering information from vehicles. As described in the abstract of the patent, “the inventory management system may be configured to: (1) track whether the location device is located within a predetermined perimeter; (2) provide current inventory and ownership status associated [with] the location device; and/or (3) place the location device in a sleep and/or passive state with periodic check-ins.” '598 Patent at Abstract. The disclosure and claims also provide additional capabilities, such as receiving signals if the car's battery is depleted or storing additional information about the vehicle in the data base. (*See generally*, '598 Patent col. 15, 1. 28-32; col. 16, 1. 43-48.)

In this case, all of the independent claims begin with “[a] method for managing a vehicle inventory.” ('598 Patent, cols. 27, 28.) Claim 1 is the basis for most discussion on claim terms and provides as follows:

1. A method for managing a vehicle inventory for a dealer implemented by a computer having a processor and a memory, the method comprising:

while a location is not communicatively coupled with a vehicle, associating the location device with a dealer's group of available location devices in the memory, wherein the dealer's group of available location devices comprises location devices

6a

owned by the dealer that are not coupled with any vehicle;

communicatively coupling the location device with a vehicle;

in response to the location device becoming communicatively coupled with the vehicle, the location device transmitting a connection notice over a network, the connection notice comprising a vehicle identifier and a location device identifier;

receiving, by the computer, the connection notice from the location device over the network;

in response to the connection notice received by the computer, the processor:

associating the location device identifier with the vehicle identifier in the memory; and

disassociating the location device from the dealer's group of available location devices in the memory; and

receiving, by the computer, current location information from the location device.

## B. Procedural Background

On April 2, 2019, Procon was served with a letter from Defendant Spireon, Inc. ("Spireon"), accusing it of infringement of the '598 Patent. (ECF No. 1-1.) On April 25, 2019, Spireon followed up its first letter with a cease and desist demand with respect to any products that allegedly infringe the '598 Patent. (ECF No. 1-2.) Following the second cease and desist

demand, Procon filed a Petition requesting Post-Grant Review of Claims 1-14 of the '598 Patent on May 30, 2019. (ECF No. 12 ¶ 5.) Additionally, on June 3, 2019, Procon brought this claim for declaratory judgment of noninfringement and invalidity of the '598 Patent, and filed an Amended Complaint on August 6, 2019. (ECF No. 9.) Spireon filed an Answer and Counterclaims on August 26, 2019. (ECF No. 10.) On November 22, 2019, the Patent Trial and Appeal Board ("PTAB") declined to institute proceedings against the challenged claims based on the plain and ordinary meaning of the claim terms. (ECF No. 17-1.) Plaintiff filed a Motion for Judgment on the Pleadings ("§ 101 Motion") on September 9, 2020. (ECF No. 40.) Spireon filed a Response in Opposition on September 30, 2020. (ECF No. 45.) Procon filed a Reply to Spireon's Response on October 7, 2020. Procon filed a Supplement to its § 101 Motion on February 16, 2021 (ECF No. 63), to which Spireon filed a Response in Opposition on February 23, 2021. (ECF No. 65.) Following briefing from the parties and a *Markman* hearing, the Court also entered its Claim Construction Order on February 19, 2021. (ECF No. 64.) The Court held a hearing on the pending § 101 Motion on March 2, 2021.

## II. LEGAL STANDARD

Federal Rule of Civil Procedure 12(c) provides that "[a]fter the pleadings are closed – but early enough not to delay trial – a party may move for judgment on the pleadings." Since the grant or denial of judgment on the pleadings is not uniquely a patent issue, the law of the regional circuit is applied. *See Allergan, Inc. v. Athena Cosmetics, Inc.*, 640 F.3d 1377, 1380 (Fed. Cir. 2011).

A motion for judgment on the pleadings under Rule 12(c) is analyzed under the same standard as a motion

to dismiss under Rule 12(b)(6). *Sensations, Inc. v. City of Grand Rapids*, 526 F.3d 291, 295 (6th Cir. 2008) (citing *Penny/Ohlmann/Nieman, Inc. v. Miami Valley Pension Corp.*, 399 F.3d 692, 697 (6th Cir. 2005)); see also *Lindsay v. Yates*, 498 F.3d 434, 437 n.5 (6th Cir. 2007). Under Rule 12(b)(6), a court must “construe the complaint in the light most favorable to the plaintiff, accept its allegations as true, and draw all reasonable inferences in favor of the plaintiff” *DirectTV, Inc. v. Treesh*, 487 F.3d 471, 476 (6th Cir. 2007). The court, however, “need not accept as true legal conclusions or unwarranted factual inferences.” *Id.* (quoting *Gregory v. Shelby Cnty.*, 220 F.3d 433, 446 (6th Cir. 2000)). “Conclusory allegations or legal conclusions masquerading as factual allegations will not suffice.” *Bishop v. Lucent Techs., Inc.*, 520 F.3d 516, 519 (6th Cir. 2008).

A Rule 12(c) motion that seeks a determination of invalidity must be supported by clear and convincing evidence appearing in the patent. *Vehicle Intelligence & Safety LLC v. Mercedes-Benz USA, LLC*, 78 F. Supp. 3d 884, 887 (N.D. Ill. 2015) (citing *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011)), *aff’d per curiam*, 2015 WL 9461707 (Dec. 28, 2015). “A Rule 12(c) motion is appropriately granted ‘when no material issue of fact exists and the party making the motion is entitled to judgment as a matter of law.’” *Stafford v. Jewelers Mut. Ins. Co.*, 554 F. App’x 360, 370 (6th Cir. 2014) (quoting *Tucker v. Middleburg-Legacy Place, LLC*, 539 F.3d 545, 549 (6th Cir. 2008)).

“If, on a motion under Rule 12(b)(6) or 12(c), matters outside the pleadings are presented to and not excluded by the court, the motion must be treated as one for summary judgment under Rule 56.” Fed. R. Civ. P. 12(d). “In ruling on a motion for judgment on the pleadings, . . . the Court may consider the

complaint as well as (1) documents that are referenced in the plaintiff's complaint or that are central to plaintiff's claims and (2) matters of which a court may take judicial notice." *Wrobel v. Huron-Clinton Metro. Auth.*, No. 13-cv-13168, 2014 WL 1460305, at \*6 (E.D. Mich. Apr. 15, 2014) (citing *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007)); see also *KRS Int'l Co. v. Delphi Auto. Sys., LLC*, 523 F. App'x 357, 359 (6th Cir. 2013) ("[A] court 'may consider the Complaint and any exhibits attached thereto, public records, items appearing in the record of the case and exhibits attached to defendant's motion to dismiss so long as they are referred to in the Complaint and are central to the claims contained therein,' without converting the motion to one for summary judgment." (quoting *Bassett v. Nat'l Collegiate Athletic Ass'n*, 528 F.3d 426, 430 (6th Cir. 2008))). In addition, "documents 'integral' to the complaint" may be relied upon, "even if [they are] not attached or incorporated by reference . . . [when] there exist no material disputed issues of fact regarding the relevance of the document." *Mediacom Se. LLC v. BellSouth Telecomms., Inc.*, 672 F.3d 396, 400 (6th Cir. 2012) (citations and internal quotation marks omitted).

### III. ANALYSIS

Thirty-five U.S.C. § 101 sets forth 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." "Eligibility under 35 U.S.C. § 101 is a question of law, based on underlying facts." *SAP America, Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1166 (Fed. Cir. 2018) (internal citations omitted). "Like other legal questions based on underlying facts,

this question may be, and frequently has been, resolved on a Rule 12(b)(6) or (c) motion where the undisputed facts, considered under the standards required by that Rule, require a holding of ineligibility under the substantive standards of law.” *Id.*; see also generally, *Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1341 (Fed. Cir. 2017) (affirming district court’s finding of §101 ineligibility at 12(c) stage); *WhitServe LLC v. Donuts, Inc.*, 809 F. App’x 929, 935 (Fed. Cir. 2020) (“But we have repeatedly made clear that ‘patent eligibility can be determined at the Rule 12(b)(6) stage’ if there are no plausible factual allegations to impede such a resolution.”) (internal citations omitted); *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018) (“We have held that patent eligibility can be determined at the Rule 12(b)(6) stage. . . . This is true only when there are no factual allegations that, taken as true, prevent resolving the eligibility question as a matter of law.”)

It is well-settled that “[l]aws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). An invention, however, “is not rendered ineligible for patent simply because it involves an abstract concept.” *Id.* There is an exception under § 101 for patents that apply an abstract concept “to a new and useful end.” *Id.* (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)).

The unanimous Supreme Court decision in *Alice* provided a two-part analysis for determining whether the application of an abstract idea would be patent-eligible: (1) “whether the claims at issue are

directed to one of those patent-ineligible concepts;” and (2) “whether the additional elements [of a claim] ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* at 2355 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012)). The first stage of the *Alice* inquiry looks “at the ‘focus’ of the claims” and their “character as a whole.” *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (citing *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335-36 (Fed. Cir. 2016)). When reached, the second stage inquiry looks “more precisely at what the claim elements add—specifically, whether, in the Supreme Court’s terms, they identify an “inventive concept” in the application of the ineligible matter to which (by assumption at stage two) the claim is directed.” *Id.* at 1353 (internal citations omitted).

#### A. First *Alice* Step: “Directed To” a Patent-Ineligible Concept

The first part of a patentability analysis under *Alice* requires the Court to “determine whether the claims as a whole are directed to an abstract idea.” *Alice*, 134 S. Ct. at 2355. Procon argues that the claims in the ’598 Patent “are directed to the abstract idea of managing an inventory” and that “[b]usiness practices designated to manage inventory—and particularly a vehicle inventory for a dealer—have existed for several decades.” (ECF No. 41 at PageID 1336.) In response, Spireon asserts that “the ’598 Patent does not address management of just *any* ‘inventory;’ it addresses management of a ‘vehicle inventory.’” (ECF No. 45 at PageID 2501 (internal citations omitted) (emphasis in original).) Spireon also stresses that the ’598 Patent is not directed to generic inventory management, but specifically inventory management

for a dealer using sets of available location devices owned by the dealer. (*Id.* at PageID 2501.) The Court finds Spireon’s arguments unconvincing and finds that the claims in the ’598 Patent are directed to the abstract idea of vehicle inventory management.

*Managing a Vehicle Inventory is an Abstract Idea*

Abstract ideas have long been deemed patent-ineligible because “no one can claim in . . . them an exclusive right.” *Alice*, 134 S. Ct. at 2355 (quoting *Le Roy v. Tatham*, 55 U.S. (14 How.) 156, 175 (1853)). In recent years, the Federal Circuit has further clarified what constitutes an abstract idea by focusing on the presence of a “technological improvement.” *See In re TLI Communications LLC Patent Litigation*, 823 F.3d 607, 612 (Fed. Cir. 2016) (“We recently clarified that a relevant inquiry at step one is ‘to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea.’”) (citing *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (contrasting claims “directed to an improvement in the functioning of a computer” with claims “simply adding conventional computer components to well-known business practices.”)).

Accordingly, the inquiry in front of this court is whether the ’598 Patent simply adds conventional computer components to the field of vehicle inventory management, or is instead directed to the improvement in the functioning of a computer. *See, e.g., Simil, LLC v. Flexsim Software Products, Inc.*, 983 F.3d 1353, 1360-61 (Fed. Cir. 2020) (“To be sure, ‘software can make patent-eligible improvements to computer technology, and related claims are eligible as long as they are directed to **non-abstract**

**improvements to the functionality of a computer** . . . itself.’) (internal citation omitted).

Procon argues that the purported advance of the ’598 Patent is a “process of manipulating information of a specified content—gathering, storing, transmitting, receiving, and presenting information about a vehicle—and not any particularly assertedly inventive technology for performing those functions.” (ECF No. 41 at PageID 1340.) To support this contention, Procon points to the abstract of the ’598 Patent, which recites that “the inventory management system may be configured to: (1) track whether the location device is located within a predetermined perimeter; (2) provide current inventory and ownership status associated the location device; and/or (3) place the location device in a sleep and/or passive state with periodic check-ins.” ’598 Patent at Abstract. Plaintiffs further add that “the generically claimed location device could be used to carry out the same steps to manage an inventory of anything—trailers, shipping containers, construction equipment, etc.” (ECF No. 41 at PageID 1342.)

Spireon instead focuses on the “owned by the dealer” portions of the claims, arguing that that this language “remains a key component and a significant aspect of claim 1 which shows that the claims of the ’598 Patent go to a particular method of ‘managing a dealer’s inventory,’ well beyond the abstract ‘managing an inventory.’ (ECF No. 45 at PageID 2503.) Spireon stresses the importance of managing inventory for *a dealer* repeatedly in its briefing, noting that the “claims of the ’598 Patent are not directed to the generic ‘managing an inventory’ but are specific steps of a particular method of managing ‘a vehicle inventory for a dealer.’” (*See generally Id.* at PageID 2501-502.) This argument fails. The Supreme Court and the

Federal Circuit “have repeatedly made clear that merely limiting the field of use of the abstract idea to a particular existing technology environment does not render the claims any less abstract.” *Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1259 (Fed. Cir. 2016).

The Federal Circuit’s recent decision in *cXLoyalty, Inc.* is also informative here. In *cXLoyalty, Inc. v. Maritz Holdings Inc.*, the Federal Circuit held both the original and substitute patent claims of U.S. Patent 7,134,087 (the “’087 Patent”) to be ineligible under § 101. 986 F.3d 1367 (Fed. Cir. 2021). The ’087 Patent was directed towards “a system and method for permitting a customer of a loyalty program to redeem loyalty points for rewards offered by vendors without the need for human intervention.” (*Id.*) At step one, the Federal Circuit agreed that the ’087 Patent was directed to “facilitating, or brokering, a commercial transaction (i.e., the sale and purchase of goods and services) between a purchaser using a first form of value (i.e., a rewards program participant using points in whole or in part) and a seller transacting in a second form of value (i.e., a vendor system which transacts purchases in currency).” *Id.* at 1376-77 (internal citations and quotations omitted). The court added that “[h]umans have long intermediated these very transactions by collecting and relaying the very same information.” Because the claims in the ’087 Patent were “directed to transfers of information relating to a longstanding commercial practice,” the Federal Circuit in *cXLoyalty* found that they were directed to patent-ineligible subject matter under step 1 of *Alice*. *Id.* at 1377.

Here, the claims of the ’598 Patent are not different from the conventional business practices or transfers

of data that the Federal Circuit has found to lack muster under *Alice* step 1. For example, in *Electric Communication Technologies*, the court found that the functions of “monitoring the location of a mobile thing and notifying a party in advance of arrival of that mobile thing” amounted to “nothing more than the fundamental business practice of providing advance notification of the pickup or delivery of a mobile thing.” *Elec. Comm. Techs., LLC v. Shopperschoice.com, LLC*, 958 F.3d 1178, 1181 (Fed. Cir. 2020). It further restated the lower court’s findings that “business practices designed to advise customers of the status of delivery of their goods have existed at least for several decades, if not longer.” *Id.* at 1181 (internal citations and quotations omitted); *see also Elec. Power Grp.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (“The focus of the asserted claims . . . is on collecting information, analyzing it, and displaying certain results of the collection and analysis . . . and hence require stage-two analysis under § 101.”)

Furthermore, “[t]he test for patent-eligible subject matter is not whether the claims are advantageous over the previous method.” *Tenstreet, LLC v. DriverReach, LLC*, 826 F. App’x 925, 926 (Fed. Cir. 2020). In *Tenstreet*, the Federal Circuit ruled that even if the patent at issue “provide[d] advantages over manual collection of the data, the patent claim[ed] no technological improvement beyond the use of a generic computer network.” *Id.* at 926. Here, the ’598 Patent purports to “transmit the physical location of the device, relative location information such as whether inside or outside a geo-fence, information about vehicle speed, cornering, braking, and/or acceleration, information corresponding to an impact, information about airbag status, and the like.” ’598 Patent, col. 7, l. 25-30. Notably, such “location device may be an off-

the-shelf tracking device for a vehicle, for example for use by an end user, for user-based insurance, for fleet management, for managing driver behavior, and/or the like.” *Id.*, col 8, l. 24-27. Spireon does not contend that it has invented an improvement in the location device, and instead focuses on the presence of “specific steps of a particular method[.]” (ECF No. 45 at PageID 2503.) This argument fails at step 1, because the claims are nonetheless directed to the gathering and sharing of information. Such “claims focused on ‘collecting information, analyzing it, and displaying certain results of the collection and analysis’ are directed to an abstract idea.” *Elec. Power Grp.*, 830 F.3d at 1355.

The ’598 Patent is directed to tasks inherent to the business practice and process of vehicle inventory management that have been available as long as the existence of car dealerships. Therefore, it is directed to an abstract idea under step 1 of *Alice*.

B. Second *Alice* Step: Transforming the Nature of the Claim Into a Patent-Eligible Application

Having found that the ’598 Patent is directed to the abstract idea of vehicular inventory management, the Court moves on to stage 2 of the *Alice* analysis. At this stage, the Court must consider the “transformative” aspects of the claims and whether they are inventive so as to make the patent eligible under § 101. *See Alice*, 134 S. Ct. at 2355. A claim’s elements, taken both individually and in concert as an ordered combination, must be “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1294) (alteration in original); *see also Mayo*, 132 S. Ct. at 1297 (“If a law of nature is not

patentable, then neither is a process reciting a law of nature, unless that process has additional features that provide practical assurance that the process is more than a drafting effort designed to monopolize the law of nature itself.” “An inventive concept reflects something more than the application of an abstract idea using well-understood, routine, and conventional activities previously known to the industry.” *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1316 (Fed. Cir. 2019) (internal quotation marks omitted).

1. The '598 Patent Does Not Provide a Technological Solution

Procon argues that “Spireon’s contention that the ’598 [P]atent ‘provide[s] a unique, undisclosed, and unconventional solution in the industry’[] merely points to claim language reciting high level functions of transmitting, receiving, associating, disassociating, and determining.” (ECF No. 63 at PageID 2698.) Procon further argues that the “claim limitations Spireon quotes (and even the specification) fail to *provide useful guidance as to how to achieve these purported functions*” and instead “recite the desired result rather than a specific way to accomplish that result[.]” (*Id.*) (emphasis in original).

Indeed, the Federal Circuit has increasingly focused on *how* a technological solution is achieved. For example, in *cXLoyalty, Inc.*, the Federal Circuit ruled that a patent directed to “format conversion” did not “improve[] the use of computers as a tool by reciting a new way for computers to conduct format conversion,” and added that the claims failed to “provide any guidance as to how this purported function [was] achieved.” *cXLoyalty*, 986 F.3d at 1379. Accordingly, the Federal Circuit rejected the patent under § 101, stating that it

did not “claim a patent-eligible technological solution to a technological problem.” *Id.*

The focus of Federal Circuit jurisprudence in recent years has emphasized technical details and useful guidance in functionally claimed patents. *See, e.g., Univ. of Fla. Res. Found., Inc. v. Gen. Elec. Co.*, 916 F.3d 1363,1368-69 (Fed. Cir. 2019) (“[N]either the ‘251 patent, nor its claims, explains *how* the drivers do the conversion that UFRF points to. That is, the drivers are described in purely *functional* terms: they ‘facilitate data exchanges,’ ‘convert received data streams to a format independent of any particular bedside machine,’ ‘translate the data stream,’ ‘interpret data streams,’ ‘facilitate communications with the bedside machine,’ and ‘interpret [discrete] segments’ in a ‘data stream for the machine.’”) (emphasis in original) (citations omitted); *Adaptive Streaming, Inc. v. Netflix, Inc.*, 836 F. App’x 900, 903 (Fed. Cir. 2020) (“The focus is not any specific advance in coding or other techniques for implementing that idea; no such specific technique is required.”); *Affinity Labs of Texas*, 838 F.3d at 1258 (“There is nothing in claim 1 that is directed to *how* to implement out-of-region broadcasting on a cellular telephone. Rather, the claim is drawn to the idea itself.”).

Here, the Court is unconvinced by Spireon’s argument that “the claims of the ’598 Patent recite specific methods for managing vehicle inventory for a dealer using a location device in a specific way that allows dealers to associate and disassociate the location devices with and from groups of the location devices that are owned by the dealer and that the dealer may communicatively couple with the dealer’s vehicles.” (ECF No. 45 at PageID 2504.) For one, the ’598 Patent merely describes the *functions* of associat-

ing, disassociating, and communicative coupling, without providing *how* those functions are achieved. *See, e.g.*, '598 Patent at col. 7, l. 44-60 (“The location device may be configured to communicatively couple with a vehicle, such as via the vehicle’s on-board diagnostic interface (e.g., OBD-II) . . . The location device may comprise one or more sensors . . . Further, the location device may be configured to determine a state, voltage, and/or current of the vehicle battery, to determine a state, voltage, and/or current of the vehicle battery, to determine if the location device is connected . . . The location device may comprise a memory and may be configured to store sensed, received, or otherwise determined data.”).

At the § 101 Motion hearing, the Court repeatedly gave Spireon’s counsel the opportunity to identify any disclosures in the '598 Patent that go beyond functional language and explain *how* the functions are achieved. *See* Hearing Tr. at 24:7-22 (“They are concrete and tangible steps that are performed by the location device, which include communicative coupling of the device to the vehicle through the OBD port and concrete steps that occur in response to cumulative coupling of that location device. . . . There are a specific series of steps that outline a specific process of connecting the device to the vehicle, the device sending the connection notice, including the vehicle identifier, and the location device identifier . . . certain steps being taken to associate that device with the vehicle in the memory.”) Spireon’s counsel stated that “almost every limitation of the claim recites a concrete step where the location device performs a *specific* action or that something happens in response to the *specific* action being performed by the location device. . . . These are *specific* steps that involve the hardware doing *specific* things.” Hearing Tr. at 25:17-24 (empha-

sis added). But simply repeating the word specific does not change the disclosure of the '598 Patent. Despite using terms such as “associating,” “disassociating,” “connection notice,” and “communicative coupling,” these steps do not actually disclose how the result is achieved. The '598 Patent does not disclose the parameters, coding language, or otherwise tell the user how to manage the vehicle inventory—it merely provides functional language for doing so. “[T]he claims provide no useful guidance as to how this purported function is achieved and thus cannot be directed to a technological solution.” *cXLoyalty, Inc. v. Maritz Holdings, Inc.*, 986 F.3d at 1378. Accordingly, the '598 Patent does not pass muster under step 2 of *Alice* because it does not provide technological solution. Next, the Court addresses whether the methods utilized were routine and conventional at the time of the patent.

2. The '598 Patent Utilizes Routine and Conventional Methods and No Factual Disputes Preclude Finding the '598 Patent to be Ineligible Under § 101

In addition to not providing sufficient disclosure on *how* to achieve the functional results highlighted in the '598 Patent, Spireon also relies on routine and conventional methods for doing so. A claim that “contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application. . . . must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1289). A claim whose recited elements are all “generic computer elements,” does not contain an inventive concept. *Intellectual Ventures I LLC v. Capital One*

*Bank (USA)*, 792 F.3d 1363, 1368 (Fed. Cir. 2015) (providing “a database, a user profile . . . and a communication medium” as examples of generic computer elements).

Procon argues that “[a]ll the claims implement routine, conventional, and well-understood methods of dealer inventory management using conventional computer hardware.” (ECF No. 41 at PageID 1344.) According to Procon, the ’598 Patent merely recites advancements in technology that have resulted in increased efficiency, speed, or accuracy in vehicle inventory management, but that “the core methods—which can still be carried out by humans, at times with the help of pencil and paper—have not changed.” (*Id.*) In response, Spireon argues that “Procon has not demonstrated that a ‘conventional’ location device would transmit a connection notice including a location device identifier and a vehicle identifier in response to the location device being communicatively coupled with a vehicle,” or that “a generic computer would associate a location device with a dealer’s group of available location devices that are owned by the dealer or with one of the dealer’s vehicles.” (ECF No. 45 at PageID 2505.) The ’598 Patent’s specification however, is instructive, noting that “[t]he location device may comprise any suitable system for determining a physical location of the location device and communicating the position to the inventory management system.” ’598 Patent at col. 6, l. 54-58. It goes on to say that this location device “may comprise a GPS receiver, Wi-Fi positioning system, space based augmentation system (SBAS) such as WAAS/EGNOS/MSAS/GAGAN, and/or the like to facilitate determining the physical location of the location device.” *Id.* at col. 6, l. 58-62. These are all existing, off-the-shelf devices that have inherent functionality.

The Federal Circuit has rejected this sort of disclosure before. In *In re TLI Communications*, the Federal Circuit ruled that the “specification [did] not describe a new telephone, a new server, or a new physical combination of the two” and that “the telephone unit itself [was] merely a conduit for the abstract idea of classifying an image and storing the image based on its classification.” 823 F.3d at 612. Here, the location device is merely a conduit for the abstract idea of vehicle inventory management.

Furthermore, Spireon’s attempt to create a factual dispute with respect to what was “routine and conventional” at the time of the invention fails. It necessarily follows that if the ’598 Patent does not disclose the exact how to achieve the end result, then the person having ordinary skill in the art (“PHOSITA”) would be left to his own devices in order to utilize routine and conventional methods to achieve those results. Either the ’598 Patent adequately discloses *how* to achieve the functional results (it does not), or they are routine and conventional such that a PHOSITA would be able to determine them. Both cannot be true. As stated by Procon, “the patent describes what the off-the-shelf location device should be configured to do with no disclosure as to how to configure the device.” (ECF No. 46 at PageID 2520.)

In *Ubisoft Entertainment*, the Federal Circuit found that a claimed invention pertaining to guitar instrumentation techniques “involve[d] merely the application of conventional computer technology to common guitar instruction techniques,” which “cannot transform the nature of the asserted claims into patent-eligible applications of the abstract idea.” *Ubisoft Ent., S.A., v. Yousician Oy*, 814 F. App’x 588, 592 (Fed. Cir. 2020) (internal citations omitted). Similarly, this Court

reiterates the Federal Circuit's findings in *Electric Power*: "Nothing in the claims, understood in light of the specification, requires anything other than off-the-shelf, conventional computer, network, and display technology gathering, sending, and presenting the desired information." 830 F.3d at 1355. The Court finds that the '598 Patent does nothing more than recite routine and conventional steps using off-the-shelf components. Accordingly, it does not pass muster under step 2 of *Alice*.

#### IV. CONCLUSION

Applying the two-part *Alice* test, the Court finds that the '598 Patent is directed to an abstract idea, and does not recite an inventive step so as to transform it to patent-eligible subject matter. Furthermore, the Court finds that there are no material facts in dispute that would preclude this finding of invalidity. Procon's Motion for Judgment on the Pleadings is GRANTED.

IT IS SO ORDERED, this 6th day of April, 2021.

/s/ Jon P. McCalla  
JON P. McCALLA  
UNITED STATES DISTRICT JUDGE

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**APPENDIX C**

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TENNESSEE  
KNOXVILLE DIVISION

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Case No. 3:19-cv-201

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PROCON ANALYTICS, LLC,  
*Plaintiff,*  
v.  
SPIREON, INC.,  
*Defendant.*

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**JUDGMENT**

JUDGMENT BY COURT. This action having come before the Court on Plaintiff's Motion for Judgment on the Pleadings, filed on September 9, 2020 (ECF No. 40), and the Court having entered an Order Granting Motion for Judgment on the Pleadings (ECF No. 66),

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED that, in accordance with the Order Granting Motion for Judgment on the Pleadings, this action is hereby DISMISSED WITH PREJUDICE.

APPROVED:

/s/ Jon P. McCalla

JON P. McCALLA

UNITED STATES DISTRICT COURT JUDGE

April 6, 2021

Date

25a

**APPENDIX D**

**RELEVANT STATUTORY PROVISIONS**

**35 U.S.C.A. § 101**

**§ 101. Inventions patentable**

Whoever 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.A. §§ 1, *et seq.*].

**35 U.S.C.A. § 282****§ 282. Presumption of validity; defenses****(a) In General.—**

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

**(b) Defenses.—**The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

- (1) Noninfringement, absence of liability for infringement or unenforceability.
- (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.
- (3) Invalidity of the patent or any claim in suit for failure to comply with—
  - (A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
  - (B) any requirement of section 251.
- (4) Any other fact or act made a defense by this title.

**(c) Notice of Actions; Actions During Extension of Patent Term.—**In an action involving the validity

or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 because of the material failure—

- (1) by the applicant for the extension, or
- (2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.