

IN THE
**United States Court of Appeals
for the Federal Circuit**

IN RE: MARTEN TRANSPORT, LTD.,

Petitioner.

ON PETITION FOR WRIT OF MANDAMUS TO THE UNITED STATES DISTRICT
COURT FOR THE EASTERN DISTRICT OF TEXAS, JUDGE J. RODNEY GILSTRAP

**BRIEF OF PUBLIC KNOWLEDGE AND THE ELECTRONIC FRONTIER
FOUNDATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER**

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CERTIFICATE OF INTEREST

Pursuant to Rules 29(a) and 47.4 of the Federal Circuit Rules of Practice, counsel of record certifies as follows:

(1) The full name of every party or amicus represented by counsel to this brief is **Public Knowledge and the Electronic Frontier Foundation**.

(2) The above-identified parties are the real parties in interest.

(3) The corporate disclosure statement of Rule 26.1 of the Federal Rules of Appellate Procedure is as follows: There is no parent corporation to or any corporation that owns 10% or more of stock in the above-identified parties.

(4) The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this court are: **Charles Duan, Public Knowledge; and Vera Ranieri, Electronic Frontier Foundation**.

Dated: January 11, 2016

/s/ Charles Duan

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INTEREST OF *AMICI CURIAE*

Public Knowledge¹ is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation is a non-profit civil liberties organization that has worked for over 20 years to protect consumer interests, innovation, and free expression in the digital world. Founded in 1990, EFF represents over 22,000 contributing members. EFF and its members have a strong interest in promoting balanced intellectual property policy that serves both public and private interests.

Public Knowledge and EFF have previously served as *amici* in patent cases. *E.g.*, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920 (2015).

¹This brief is being tendered with a motion for leave to file this brief. Pursuant to Rule 29(c)(5), no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

This case presents one of the clearest cases for invalidity based on the pleadings possible. Eclipse IP, the patent holder in this case, has already had directly related patents invalidated by a district court for failing to meet the requirements of 35 U.S.C. § 101. Despite this fact and the striking similarity between the invalidated claims and the claims at issue here, the District Court has not ruled on Petitioner Marten Transport's motion to dismiss for months.

The failure to rule has created a situation where 11 of 12 defendants likely settled a case that should never have been brought. The sole remaining defendant has had had costs imposed that should never have been borne. Mandamus should be granted to stop this wasteful litigation on this basis alone.²

But of equal importance is the harm to the public at large. The Supreme Court has recognized that courts have a duty to the public to decide patent validity in a timely manner, because the public depends on those determinations to avoid paying unnecessary licensing fees on invalid patents. Indeed, the Supreme Court has made it clear that validity determinations must come first, and cannot be avoided by relying on another dispositive issue such as noninfringement. But

²Petitioner also seeks a writ of mandamus on its unresolved motion to transfer venue, and *amici* support the petition in that respect as well. But given the substantial body of established precedent on venue transfer mandamus and the important public questions at play with regard to the motion to dismiss, *amici* focus on that latter issue in this brief.

by indefinitely delaying resolution of the motion to dismiss, potentially allowing settlements or noninfringement determinations to occur first, the district court potentially avoids ever having to deal with invalidity, thus depriving the public of that important ruling. This improper end-run around Supreme Court precedent demands immediate relief.

ARGUMENT

I. FAILURE TO RULE ON MOTIONS TO DISMISS IS PREJUDICIAL TO THE PARTIES

By failing to rule on Petitioner's motion to dismiss, the district court has substantially prejudiced Petitioner and by extension all other defendants to the litigation in at least two ways. First, the delay in ruling imposes high costs on those defendants, thus eviscerating the main purpose of motion to dismiss practice, namely resolving cases early to avoid those litigation costs. Second, the delay has further ripple effects, diminishing the parties' abilities to innovate and even determining the outcome of the case. Mandamus is necessary to avoid these ongoing harms from compounding as the delay increases.

A. AN INDEFINITE DELAY IN DECIDING A MOTION TO DISMISS FORCES PARTIES TO INCUR ONGOING HIGH LITIGATION COSTS, IN DIRECT CONTRAVENTION TO THE PURPOSE OF MOTIONS TO DISMISS

The Supreme Court has recognized the significant costs imposed by allowing a case to proceed where a plaintiff fails to state a claim. In *Bell Atlantic Corp. v.*

Twombly, the Court held that “a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitlement to relief’ requires more than label and conclusions[.]” 550 U.S. 544, 555 (2007) (original alterations omitted).

The Supreme Court so held, in part, based on a recognition that antitrust discovery can be expensive:

It is no answer to say that a claim just shy of a plausible entitlement to relief can, if groundless, be weeded out early in the discovery process through careful case management given the common lament that the success of judicial supervision in checking discovery abuse has been on the modest side. And it is self-evident that the problem of discovery abuse cannot be solved by careful scrutiny of evidence at the summary judgment stage, much less lucid instructions to juries; the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings.

Id. at 559 (internal citations and quotations omitted).

There can be no doubt that such concerns also exist in patent disputes. Recent estimates place the cost of litigation when the amount in controversy is less than \$1 million at \$700,000. *See* Am. Intellectual Prop. Law Ass’n, *Report of the Economic Survey* 34 (2013). A patent that fails to meet the requirements of § 101 by definition cannot provide the basis for an infringement lawsuit, and thus all costs imposed by failing to rule on a meritorious motion are wasteful. This is especially true when it has been widely recognized that a § 101 deficiency is often apparent from the face of the complaint. *See, e.g., Vehicle Intelligence & Safety, LLC v. Mercedes-Benz USA, LLC*, No. 15-1411, slip op. at 2, 4 (Fed. Cir. Dec. 28, 2015) (af-

firming invalidation of claims for claiming ineligible subject matter under § 101 on motion on the pleadings, pursuant to Fed. R. Civ. P. 12(c)); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 712 (Fed. Cir. 2014) (affirming invalidation of claims for claiming ineligible subject matter under § 101 on motion to dismiss, pursuant to Fed. R. Civ. P. 12(b)(6)); *cf. id.* at 719 (Mayer, J., concurring) (noting that “resolving subject matter eligibility at the outset provides a bulwark against vexatious infringement suits” and “The scourge of meritless infringement claims has continued unabated for decades due, in no small measure, to the ease of asserting such claims and the enormous sums required to defend against them.”).

The concerns in allowing improper claims to proceed are especially significant in the Eastern District of Texas where the local rules and Judges’ standing orders explicitly do not stay discovery while a motion to dismiss is pending. *See* E.D. Tex. L.R. CV-26(a); *Sample Docket Control Order for Patent Cases Assigned to Judge Rodney Gilstrap* 4 (Nov. 2015), <http://www.txed.uscourts.gov/page1.shtml?location=info;judge&judge=17>. In addition, local patent rules require the early disclosure of prior art invalidity evidence upon possibility of waiver, *see* E.D. Tex. Pat. R. 3-3, 3-6(a), and Judges’ standing discovery orders mandate the early turnover of all relevant documents without request from the opposing party, *see, e.g., Sample Discovery Order for Patent Cases Assigned to Judge Rodney Gilstrap*

2 (Oct. 2012), <http://www.txed.uscourts.gov/page1.shtml?location=info:judge&judge=17>.

Under current Eastern District of Texas practice, then, even the most deficient patent complaint will allow a case to move forward and allow a plaintiff to impose significant discovery costs on a defendant. In refusing to rule promptly, the court abdicates its role of ensuring only complaints that demonstrate a plausible claim for relief are entitled to proceed. *See* Fed. R. Civ. P. 1; *Twombly*, 550 U.S. at 559. In the Eastern District of Texas, the failure to rule on a meritorious motion to dismiss imposes the very harm such a motion seeks to avoid.

B. THIS DELAY CAUSES FURTHER REAL-WORLD HARMS, INCLUDING REDUCTION OF INNOVATION AND FORCED OUTCOMES TO LITIGATION

The failure to quickly and efficiently rule on motions to dismiss can also impose harms beyond mere litigation costs. In one case study, researchers found that “[n]o new variations of existing products or new models of imaging software were released by the affected vendors during the period of [patent] litigation.” Catherine E. Tucker, *Patent Trolls and Technology Diffusion: The Case of Medical Imaging 22* (Apr. 14, 2014) (unpublished manuscript), *available at* <http://ssrn.com/abstract=1976593>. It was hypothesized that “vendors did not want to run the risk of being found guilty of ‘willful infringement’ in the patent suit and being held liable for treble damages.” *Id.* The author concluded that “even if

patent-assertion entities do not prevail in the courtroom, their actions can have significantly negative consequences for incremental innovation while litigation is ongoing.” *Id.*

The evidence in this case also shows how the failure to rule can be so prejudicial as to be outcome-determinative. As the Supreme Court has recognized, “[s]ome companies may use patents as a sword to go after defendants for money, even when their claims are frivolous.” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015); *see also Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 101 n.24 (1993) (explaining that “prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging [a] patent”) (citations and internal quotations omitted).

Here, several of the consolidated defendants filed motions to dismiss based on § 101. Yet of the original 12 defendants, only Petitioner remains. Likely they settled for the reason that Eclipse IP offered each defendant “a quick settlement at a price far lower than the cost to defend the litigation,” a tactic that this Court has described as having “indicia of extortion.” *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011); *see also* Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara Computer & High Tech. L.J. 159, 160 (2009) (describing how a “litigation cost imbalance” incentivizes settlement of unmeritorious claims, and suggesting staying the in-

fringement determination until invalidity defenses are determined as a way to equalize litigation costs between the parties). The failure of the district court to rule on the motion to dismiss, leaving the parties to bear “the cost to defend the litigation” in the meantime, is precisely what facilitates this troubling tactic.

II. THE DISTRICT COURT’S FAILURE TO RESOLVE THE VALIDITY OF THE PATENT FURTHER HARMS THE PUBLIC AND CONTRAVENES SUPREME COURT LAW

By refusing to decide Petitioner’s motion to dismiss in a timely manner, the district court did not only injure the parties in litigation; its refusal is an ongoing and substantial harm to the public as well.

A. COURTS HAVE A RESPONSIBILITY TO THE PUBLIC TO DETERMINE PATENT VALIDITY EFFICIENTLY

Courts have a duty to the public to resolve questions of patent validity because patent validity is a matter that greatly affects the public at large. Because “a patent is an exception to the general rule against monopolies and to the right to access to a free and open market,” the Supreme Court has said that every patent “by its very nature is affected with a public interest.” *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). Specifically, that Court has remarked that it is “important to the public that competition should not be repressed by worthless patents.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 664 (1969) (quoting *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892)). It is important because

invalid patents allow their holders to extract licensing fees unfairly; without efficient declarations of patent invalidity, “the public may continually be required to pay tribute to would-be monopolists without need or justification.” *Id.* at 670.

Because of the strong public importance of eliminating invalid but issued patents, the Supreme Court has repeatedly sought to facilitate the process of judicial invalidation. *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* expanded the scope of collateral estoppel for patent invalidity, largely to counteract “the opportunities for holders of invalid patents to exact licensing agreements or other settlements from alleged infringers.” 402 U.S. 313, 343 (1971). *Lear* rejected a contractual prohibition on licensees challenging patent validity, saying that “the technical requirements of contract doctrine must give way before the demands of the public interest” in resolving validity. 395 U.S. at 670.

And of particular note, *Cardinal Chemical* makes crystal clear the primacy of invalidity determinations and the duty of courts to reach them. In that case, the Supreme Court considered this Court’s prior practice of automatically vacating as moot a declaration of invalidity once a noninfringement determination had been affirmed. *See* 508 U.S. at 87. The Supreme Court overruled this practice of automatic mootings of invalidity determinations. *See id.* at 102–03.

The Supreme Court acknowledged that the Federal Circuit may have had “sufficient reason always to address the infringement issue before passing on the

patent’s validity,” but nevertheless was more persuaded by “even more important countervailing concerns.” *Id.* at 99. Chief among those concerns was “the importance to the public at large of resolving questions of patent validity” and the “danger” of failing to address validity, which “might, as a practical matter, grant monopoly privileges to the holders of invalid patents.” *Id.* at 100–01. *Cardinal Chemical* thus stands for the proposition that the courts’ duty to evaluate invalidity is not trumped by finding an alternate ground upon which the case may be disposed.

B. REFUSAL TO RULE ON THE MOTION TO DISMISS HERE IS AN ABROGATION OF THAT DUTY TO DETERMINE VALIDITY

By interminably delaying a ruling on the Petitioner’s motion to dismiss for lack of subject matter eligibility, the district court has effected a precise end-run around this Supreme Court precedent and *Cardinal Chemical* in particular.

As the litigation drags on, facts in discovery are being revealed and settlement negotiations are being entertained. The time delay thus increases the likelihood that, first, a party might settle out of the litigation (likely for the cost reasons discussed above); or second, a party might discover evidence of noninfringement and then seek dismissal or summary judgment on the basis of that evidence. In either situation, the subject matter eligibility question is never reached—it is effectively mooted.

This cuts exactly against the stated intent of *Cardinal Chemical*. By waiting for the case to resolve on grounds unrelated to invalidity, the district court potentially allows many actually-invalid patents to remain in force and on the books, creating the danger of granting monopoly privileges to invalid patent holders as the Supreme Court feared in *Cardinal Chemical* and other cases.

And the effect on the public is not small: the patent owner in the present case has filed 160 lawsuits against retailers since 2012. *NPE Activity: eRetail Litigation Report*, Unified Patents (Dec. 13, 2015), <http://unifiedpatents.com/npe-activity-eretail-litigation-report/>. And it has likely sent demand letters to countless more companies. Any of these members of the public could have received the benefit of the district court's validity determination—if only the district court would reach one.³

Accordingly, the district court's refusal to rule on Petitioner's motion to dismiss harms not only the parties to the case but also the public at large. This harm is ongoing and serious, warranting the issuance of a writ of mandamus.

³It is not only a determination of *invalidity* that would benefit the public, of course. Were the motion to dismiss denied, that would be valuable information to the public as well about the strength of the patent, which would likely affect third parties' willingness to take licenses, for example. And furthermore, the district court's analysis will likely elucidate on the meaning and scope of the patent at issue, again useful information to the public.

CONCLUSION

For the foregoing reasons, the writ of mandamus should be granted.

Respectfully submitted,

Dated: January 11, 2016

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CERTIFICATE OF SERVICE

I hereby certify that on January 11, 2016, I caused the foregoing **Brief of Public Knowledge and the Electronic Frontier Foundation as *Amici Curiae* in Support of Petitioner** to be electronically filed with the Clerk of the Court using CM/ECF, which will automatically send email notification of such filing to all counsel of record.

Dated: January 11, 2016

/s/ Charles Duan

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