

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF OREGON

E-TOOL DEVELOPMENT, INC., and E-TOOL  
PATENT HOLDINGS, CORP.,

Plaintiffs / Counter Defendants,

3:17-CV-720-PK

v.

FINDINGS AND  
RECOMMENDATION

MAXIM INTEGRATED PRODUCTS, INC.,

Defendant / Counter Claimant,

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PAPAK, Magistrate Judge:

Plaintiffs e-Tool Development, Inc. ("eTD"), and e-Tool Patent Holdings, Corp. ("eTPH") filed this action against defendant Maxim Integrated Products, Inc. ("Maxim"), on May 8, 2017. Plaintiffs allege that they are the assignees of all right, title, and interest in a patent (the "Patent" or the "919 Patent") for a "method for the automated selection of formulations and/or formulation components by specifying product characteristics." Plaintiffs further allege that

Maxim developed and markets a tool which infringes certain claims of the Patent (specifically, Patent claims 41, 42-44, 46-50, 51, 52-55, 57-60, 61, 68-70, 74-80, 81, 88-90, and 94-100). Arising out of the foregoing, plaintiffs allege Maxim's liability for patent infringement in twelve separately pled claims. Plaintiffs seek injunctive relief to enjoin further infringement of the Patent, plus award of treble damages in an unspecified amount, pre- and post-judgment interest on all money damages, attorney fees, and costs. Maxim answered plaintiffs' complaint on July 6, 2017, alleging counterclaims for this court's declaratory judgment that (i) its product does not infringe the Patent, (ii) the Patent is invalid, and (iii) the Patent is unenforceable, and additionally alleging plaintiffs' liability for unfair business practices under Oregon law and unfair competition under California law. This court has diversity jurisdiction over this action pursuant to 28 U.S.C. § 1332 based on the parties' complete diversity of citizenship and the amount in controversy, and additionally has federal-question jurisdiction over plaintiffs' claims pursuant to 28 U.S.C. §§ 1331(a) and 1338(a).

Now before the court is Maxim's motion (#25) for judgment on the pleadings as to its claim for declaratory judgment that the patent is invalid and/or unenforceable. I have considered the motion, all of the pleadings and papers on file, and oral argument on behalf of the parties. For the reasons set forth below, Maxim's motion should be granted.

### **LEGAL STANDARD**

Fed. R. Civ. P. 12(c) governs motions for judgment on the pleadings. Rule 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." Fed. R. Civ. P. 12(c). "Judgment on the pleadings is proper when the moving party clearly establishes on the face of the pleadings that no material

issue of fact remains to be resolved and that it is entitled to judgment as a matter of law. . . . However, judgment on the pleadings is improper when the district court goes beyond the pleadings to resolve an issue; such a proceeding must properly be treated as a motion for summary judgment." *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1550 (9th Cir. 1989) (citations omitted). In evaluating a motion for judgment on the pleadings, the allegations of the non-moving party are credited as true, whereas those allegations of the moving party which have been denied are deemed false for purposes of the motion. *See id.* (citation omitted).

## **FACTUAL BACKGROUND**

### **I. The Parties**

Plaintiff eTD and its subsidiary, plaintiff eTPH, are both Texas corporations headquartered in Texas. Defendant Maxim is a Delaware corporation headquartered in California. Maxim is in the business of designing, manufacturing, and selling analog and mixed-signal integrated circuits for the automotive, industrial, communications, consumer, and computing markets.

### **II. The Parties' Allegations<sup>1</sup>**

#### **A. Plaintiffs' Material Allegations**

The Patent at issue herein issued to Eric W. Norris and Walter C. DeSouza on September 26, 2006. *See* Complaint (#1), ¶ 6. Norris' and DeSouza's rights and interest in the Patent were subsequently assigned to plaintiff eTPH. *See id.* Plaintiff eTD is plaintiff eTPH's sole licensee

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<sup>1</sup> Except where otherwise indicated, the following recitation constitutes my construal of the allegations of the parties' pleadings in light of the legal standard governing motions for judgment on the pleadings under Federal Civil Procedure Rule 12(c).

for the use of products incorporating the purported innovation described in the Patent. *See id.*,

¶ 7. The Summary of Invention for the Patent provides that the Patent covers:

a method for the automated selection of formulations and/or formulation components by specifying product characteristics. In particular, the system and method serve customers within market segments that use selected components as raw materials for manufacture of specialty products and that require an understanding of how the selected components effect [*sic*] performance. For example, such products as electronic circuits, food, pharmaceuticals, industrial gases, coatings, adhesives, sealants, inks, polishes, cleaners, and detergents fall within the profile of such products. According to another aspect of the invention, a method is provided for enabling suppliers in the distribution channel of formulations to obtain, classify, and manage formulation information as end user solutions for internal use or in cooperation with Web sites or other network sites of respective business partners. The method is implemented in part by software that runs on a Web site using an ASP model. Any entity engaged in formulation development or support, referred to herein as "customers" or "users", can enroll at the Web site to use the method to find, research, store, compare and manage formulations. Users access the method directly from a page on their own Web site or on their intranet.

*Id.*, ¶ 5. The Patent is incorporated as an exhibit to plaintiffs' complaint. *See id.*, Exh. 1 (the Patent).

It is plaintiffs' position that one of Maxim's products, specifically its "EE-Sim Tool," which allows users to input requirements for circuit schematics over the internet and generate designs for circuit schematics that meet those requirements, *see id.*, ¶¶ 13-21, 25-33, infringes Patent claims 41, 42-44, 46-50, 51, 52-55, 57-60, 61, 68-70, 74-80, 81, 88-90, and 94-100. *See id.*, ¶ 12. Of these claims, claims 41, 51, 61, and 81 are independent, and all remaining claims are dependent on those independent claims. *See Patent, passim.*

Allegedly infringed independent claim 41 of the Patent specifically provides as follows:

A network-based method for a supplier of specialty components to provide promotional information about the specialty components including technical support information to a customer for making a formulation from a plurality of constituent components wherein at least one of the components is a specialty

component offered for sale to the customer by the supplier comprising the acts of:

- providing a computer database of specialty component promotional information including formulations wherein the [sic] each of the formulations comprise constituent components including at least one specialty component being offered for sale by the supplier;
- accepting input from the customer over the network indicative of characteristics of a plurality of said formulations;
- selecting said plurality of said formulations in the database matching the characteristics;
- providing an output to the customer over the network of said formulations selected and technical support information for making said formulations selected including at least one specialty component being offered for sale and a list of other constituent components for each of said formulations;
- accepting input from the customer over the network selecting more than one of said formulations selected as trial formulations;
- providing an output to the customer over the network of performance characteristics for each of said trial formulations, said performance characteristics being substantially consistent with and supplemental to the characteristics of customer input;
- providing an output to the customer over the network of additional promotional information concerning the specialty components being offered for sale; and
- providing an output to the customer over the network offering the specialty components for sale to the customer.

Patent, 20:29-67. Allegedly infringed Patent claims 42-44 and 46-50 are expressly dependent on, and constitute relatively minor variations of, Patent claim 41. *See id.*, 21:1-51.

Allegedly infringed independent claim 51 of the Patent specifically provides as follows:

A network-based method of obtaining technical support and promotional information stored in a server by a supplier of specialty components for use by a customer for making formulations including at least one specialty component and other constituent components wherein the [sic] at least one specialty component is

offered for sale to the customer by the supplier comprising:

specifying by the customer a set of characteristics that a formulation should possess;

transmitting from the customer over a network said set of characteristics in a form such that said server can match the product formulations stored in said server to said set of characteristics;

receiving by the customer over the network the matched formulations and technical support information for making the matched formulations including the identification of the specialty component and a plurality of other constituent components thereof;

transmitting from the customer over the network a selection of a plurality [sic] matched formulations so as to identify different trial formulations among the matched formulations;

receiving by the customer over the network performance characteristics for each of said different trial formulations, said performance characteristics being substantially consistent with and supplemental to said set of characteristics transmitted from the customer;

receiving by the customer promotional information concerning the specialty component and promoting the sale of the specialty component; and

receiving by the customer an offer to sell the specialty component.

Patent, 21:52 – 22:16. Allegedly infringed Patent claims 52-55 and 57-60 are expressly dependent on, and constitute relatively minor variations of, claim 51. *See id.*, 22:17-58.

Allegedly infringed independent claim 61 of the Patent specifically provides as follows:

A network-based method for a supplier to promote the sale of a specialty component by providing promotional information concerning the specialty component and technical support information to a customer for the manufacture of at least a portion of products from different formulations comprising the specialty component and other various constituent components, said method comprising the acts of:

providing a computer database of promotional information concerning the specialty component and technical support information for said

different formulations comprising said various constituent components including said specialty component for making at least a portion of said products;

providing an output to the customer over the network of said promotional information concerning the specialty component;

providing an output to the customer over the network of an offer to sell the specialty component;

accepting input from a customer over the network indicative of a product and a set of characteristics of at least one of said different formulations for making at least a portion of one of said products;

selecting at least one of said different formulations for making at least a portion of one of said products in the database matching said input; and

providing an output to the customer over the network of technical support information for making the at least one of said different formulations selected including the identification of the specialty component and the opportunity to use the other of said various constituent components in different combinations; accepting input from the customer selecting at least one of said different combinations of the other of said various constituent components to be used with the specialty component so as to create at least one trial formulation; and providing to the customer over the network performance characteristics for each said at least one trial formulation, said performance characteristics being substantially consistent with and supplemental to said set of characteristics accepted from the customer.

Patent, 22:59 – 23:32. Allegedly infringed Patent claims 68-70 and 74-80 are expressly dependent on, and constitute relatively minor variations of, Patent claim 61. *See id.*, 23:56 – 24:41.

Allegedly infringed independent claim 81 of the Patent specifically provides as follows:

A network-based method of obtaining information from a supplier promoting the sale of a specialty component for use in a formulation including technical support information from the supplier for a customer to make at least a portion of products using different formulations comprising the specialty component and other

various constituent components including the specialty component being offered for sale by the supplier and promotional information from the supplier concerning the specialty component, said method comprising the acts of:

receiving by the customer over the network promotional information from the supplier concerning the specialty component;

receiving by the customer over the network an offer by the supplier to sell the specialty component;

specifying a product and a set of characteristics by the customer that a formulation for making at least a portion of a product should possess;

transmitting from the customer to a server over the network said specified product and said specified set of characteristics that the formulation for making at least a portion of a product should possess such that said server can match said product and said specified set of characteristics to the characteristics corresponding to at least one formulation for making at least a portion of one product stored in said server;

receiving by the customer over the network technical support information for the matched [*sic*] at least one formulation for making at least a portion of one product stored in said server including identification of the specialty component and the opportunity to use the others of the constituent components including in different combinations with the specialty component;

transmitting from the customer to a server the selection of at least one of said different combinations of the others of the constituent components to be used with the specialty component to create at least one trial formulation; and

receiving by the customer over the network performance characteristics for each said [*sic*] at least one of the trial formulation [*sic*], said performance characteristics being substantially consistent with and supplemental to said set of characteristics specified by the customer.

Patent, 24:42 – 25:17. Allegedly infringed Patent claims 88-90 and 94-100 are expressly dependent on, and constitute relatively minor variations of, claim 81. *See id.*, 25:40 – 26:3,



26:16-44.

According to its own terms, the innovation the Patent is intended to protect is the automation of methods and algorithms that, prior to the innovation, were already being used by large and sophisticated companies without automation; the chief expressly touted benefit of the innovation is to add transparency to these methods and to make them available to smaller companies:

Large customers have direct access to the technical personnel of specialty and commodity suppliers who can help them optimize formulations to achieve the lowest cost for a given performance goal. Even still, suppliers often will not, for competitive reasons, make their large customers aware of all possible solutions. Smaller customers, on the other hand, must rely on their local distributor, who not only lacks technical sophistication (as mentioned above), but also typically only support [*sic*] a narrow range of competing commodities. In cases, [*sic*] where commodities can be substituted to achieve an improved cost profile, a single distributor can offer very little. This is a source of significant savings since commodities typically represent between 50-75% of the formulated cost. Consequently, the ability of the small customer to optimize is quite limited given the limited choice available.

*Id.*, 6:35-50.

#### **B. Maxim's Material Allegations**

Maxim alleges that the Patent, a copy of which is incorporated by reference into its pleading, *see* Counterclaims (#17), Exh. 1 (the Patent), is invalid under 35 U.S.C. §§ 101-103 and 112, based on, *inter alia*, the following prior art:

U.S. Patent Nos. 6,530,065, 7,236,983, 4,992,940, 7,519,549, 5,859,414, 7,328,171, 6,785,805, 6,594,799, 6,782,307, 6,083,267, 5,948,040, 6,064,982, 5,825,651, 5,745,765, 6,300,948, 5,666,215, 6,360,216, 5,897,622, 6,877,033, and 6,530,065, U.S. Provisional Patent Application Nos. 60/179,057, 60/191,878, and 60/216,847, International Publication Number WO 98/15904, Japanese Published App. No. 2000-020589, National Semiconductor's WEBENCH tools and website, National Semiconductor's SOLUTIONS tools and website, National Semiconductor's Switchers Made Simple software v. 5.0, also referred to as LM267X Made Easy v. 2.01, pcANYWHERE Software web

site advertisement/specification sheet, Krakatoa Chapter: "Java for Business: Using Java to Win Customers, Cut Costs, and Drive Growth," Publisher: Van Nostrand Reinhold; Authors: Thomas Anderson, Phil Gibson, and Saif Kantrikar, Seybold: "Understanding the B2B and E-Market Landscape" Customers.com Strategic Planning Service; Publisher: Patricia Seybold Group; Compiled and written by: Patricia Seybold, WebSIM circuit simulator by Power Design Tools, Inc. (later called "Transim Corporation"), and the references disclosed in the Request for Inter Partes Reexamination filed by National Semiconductor Corporation including at least Reexamination Control No. 90/000,533.

Counterclaims, ¶ 11. Plaintiffs deny that allegation. *See* Answer (#21) to Counterclaims,

¶ 11.

Maxim further alleges that the Patent is invalid under 35 U.S.C. § 101 because its claims are directed to non-patentable subject matter, specifically "the abstract idea of a method for transacting business between a buyer and seller." *See* Counterclaims, ¶ 12. Maxim specifically alleges that the allegedly infringed claims "fail to recite an 'inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application' because they disclose only conventional and routine uses of a computer to implement the abstract idea." *See* Counterclaims,

¶ 13, *quoting Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2357 (2014). That is,

Maxim alleges that:

Electronic recordkeeping is 'one of the most basic functions of a computer,' and the recited uses of a computer to accept customer input, show products and promotional information, match input from a customer to data in a database, provide technical support information, and provide an offer to sell to a customer, are 'well-understood, routine, conventional activities previously known in the industry' that do 'no more than require a generic computer to perform generic computer functions.'

*Id.*, *quoting Alice*, 134 S. Ct. at 2359. Plaintiffs deny these allegations, other than to the extent that the allegations contain quotations from *Alice*, which the plaintiffs assert speak for themselves. *See* Answer to Counterclaims, ¶¶ 12-13.

Maxim further alleges that although the United States District Court for the Eastern District of Texas found the Patent valid at summary judgment on January 11, 2012, the United States Supreme Court's subsequent decision in *Alice* established that the analysis of the court for the Eastern District of Texas was flawed and resulted in an incorrect decision of law, as evidenced by the vacation and subsequent reversal of the decision upon which that court chiefly relied (*Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011)) in consequence of the *Alice* decision. See Counterclaims, ¶ 14. Except to the extent that the referenced cases speak for themselves, and except insofar as Maxim alleges that the Patent was found valid in 2012, plaintiffs deny that allegation. See Answer to Counterclaims, ¶ 14.

Maxim further alleges that the Patent is unenforceable due to the inequitable conduct of the Patent applicants "in failing to discharge their duty of candor to the United States Patent and Trademark Office ('USPTO') during the prosecution of the applications leading to the issuance of the asserted patent" in "knowingly withh[olding] material information from the USPTO with a specific intent to deceive the USPTO examiner." Counterclaims, ¶ 17. It is Maxim's position that the Patent applicants knowingly withheld information regarding prior art material to the application from the USPTO "with a specific intent to deceive the USPTO." *Id.*, ¶ 18. Maxim further alleges that the Patent applicants "were in possession of screenshots of a prior art system," namely "National Semiconductor's WEBENCH system, which were accessed and printed on June 8, 2006, during prosecution of the [P]atent," and that "[t]hese screenshots disclose all of the elements of at least claim 51 and many other claims, including at least the independent claims of the '919 Patent, and are thus material to the patentability of the '919 Patent because the USPTO would not have allowed at least claim 51 and many other claims, including at least the

independent claims of the '919 Patent, had it been notified of the undisclosed screenshots." *Id.*, ¶¶ 19-20. Plaintiffs deny these allegations. *See Answer to Counterclaims*, ¶¶ 17-20.

Maxim further alleges that "Norman Norris, one of the prosecutors and applicants of the . . . Patent, is the father of inventor Eric W. Norris, and is [eTD]'s single largest investor," and that Norman Norris "had a personal and financial interest in seeing the '919 Patent issue, especially because [eTD]'s primary source of profits is derived from suing accused infringers for patent infringement by leveraging its patent portfolio" and "[eTD]'s patent portfolio is therefore crucial to the business's success." *Counterclaims*, ¶ 21. Plaintiffs admit that Norman Norris is Eric W. Norris' father, that Norman Norris was one of the Patent applicants, and that Norman Norris had an interest in issuance of the Patent, and otherwise deny this allegation. *See Answer to Counterclaims*, ¶ 21. Maxim specifically alleges that the WEBENCH system screenshots were in Norman Norris' possession during the Patent application process but that Norman Norris failed to disclose them to the USPTO, notwithstanding that he "testified that had he been aware of the screenshots of the WEBENCH system, he would have considered them material to prosecution of the '919 Patent and disclosed them to the USPTO." *Counterclaims*, ¶ 22. Plaintiffs concede that Norman Norris would have considered the screenshots material to the Patent application, but otherwise deny this allegation. *See Answer to Counterclaims*, ¶ 22. Maxim further alleges that although "the screenshots were in the applicants' possession, the applicants did not disclose them to the USPTO" and that "[t]he applicants studied National Semiconductor's WEBENCH system and modified the claims of the '919 Patent to cover the WEBENCH system while concealing the WEBENCH screenshots from the USPTO." *Counterclaims*, ¶ 23. Plaintiffs concede that the Patent applicants studied National Semiconductor WEBENCH tools during the application

process, but otherwise deny this allegation. *See* Answer to Counterclaims, ¶ 23.

### ANALYSIS

As noted above, for purposes of determining the merits of Maxim's motion for judgment on the pleadings, the court must assume that any of Maxim's allegations that have been effectively denied are untrue. Judgment on the pleadings<sup>2</sup> is appropriate where the moving party is entitled to such judgment as a matter of law assuming the truth of all *admitted* allegations and of undisputed facts contained in documents incorporated by reference into the pleadings. *See Hal Roach Studios*, 896 F.2d at 1550.

Here, it is Maxim's chief position that the allegedly infringed claims of the Patent are all directed to the "abstract idea" of "a business transaction in which a customer assembles a custom product by choosing components with desired characteristics"<sup>3</sup> and that the purported innovation underlying the Patent is merely to add "generic computer technology to automate this business concept." On that basis, it is Maxim's position that the Patent is invalid on any construction of the patent claims at issue, including the construction(s) most favorable to the plaintiffs. For the

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<sup>2</sup> The Federal Circuit Court of Appeals has routinely affirmed dispositions of 35 U.S.C. § 101 validity questions at the judgment on the pleadings stage of litigation. *See e.g., RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1324 (Fed. Cir. 2017). Moreover, the Federal Circuit has "repeatedly recognized" that patent eligibility under Section 101 can often be determined without first engaging in a claim construction procedure. *Genetic Techs. Ltd. v. Meril L.L.C.*, 818 F.3d 1369, 1373, 1373-1374 (Fed. Cir. 2016).

<sup>3</sup> Maxim alternatively characterizes the underlying abstract idea as a business transaction in which a customer has the capacity to:

- (1) specify performance traits it would like to see in a product, (2) choose from among sets of possible components that would meet those performance traits, (3) vary the combinations of components, and (4) receive final performance traits for the customer's selected combination.

reasons that follow, I agree with Maxim.

35 U.S.C. § 101 generally governs the right of a person to obtain a patent for an innovation or invention. Section 101 provides 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. . ." 35 U.S.C. § 101. It is well and long established, however, that Section 101 "contains an important implicit exception: Laws 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 Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013), *quoting Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 70 (2012), *quoting Diamond v. Diehr*, 450 U.S. 175, 185 (1981), *citing Parker v. Flook*, 437 U.S. 584, 589 (1978), *citing Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972); *see also, e.g., Le Roy v. Tatham*, 55 U.S. 156, 174-175 (1853). The United States Supreme Court has "described the concern that drives this exclusionary principle as one of pre-emption." *Alice*, 134 S. Ct. at 2354, *citing Bilski v. Kappos*, 561 U.S. 593, 611-612 (2010). "Laws of nature, natural phenomena, and abstract ideas are the basic tools of scientific and technological work," and to grant patent protection in connection with such tools "might tend to impede innovation more than it would tend to promote it, thereby thwarting the primary object of the patent laws." *Id.* (citation, internal quotation marks, and internal modifications omitted).

In *Alice*, the Supreme Court affirmed the two-step analytical framework first announced in *Mayo* "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Id.* at 2355. Under that framework, the court first determines "whether the claims at issue are directed to one of

those patent-ineligible concepts." *Id.* If the claims are so directed, the court next must determine whether the elements of each claim, considered either individually or "as an ordered combination" of claims, constitute an "inventive concept" sufficient to transform the claim or combination of claims into a patent-eligible application, by ensuring "that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself." *Id.*, quoting *Mayo*, 132 S. Ct. at 1289 (internal quotation marks, modifications omitted). Considering patents that issued to protect the innovation underlying a computer application designed to mitigate the risk that only one party to a financial transaction will pay what it owes by effectively automating the role that would otherwise have been played by a third-party intermediary, the *Alice* court unanimously held that merely automating an otherwise existing business concept like financial risk mitigation and implementing it on a computer application failed to transform the abstract idea into a patent-eligible invention. *See id.* at 2352, 2357, 2358-2360.

In connection with the first inquiry of the framework, the *Alice* court observed that the "abstract ideas category embodies the longstanding rule that an idea of itself is not patentable." *Id.*, quoting *Gottschalk*, 409 U.S. at 67 (internal quotation marks, modifications omitted). The court noted its recent discussion of the abstract ideas category in *Bilski*, observing that:

The claims at issue in *Bilski* described a method for hedging against the financial risk of price fluctuations. Claim 1 recited a series of steps for hedging risk, including: (1) initiating a series of financial transactions between providers and consumers of a commodity; (2) identifying market participants that have a counter risk for the same commodity; and (3) initiating a series of transactions between those market participants and the commodity provider to balance the risk position of the first series of consumer transactions. . . . Claim 4 put the concept articulated in claim 1 into a simple mathematical formula. . . . The remaining claims were drawn to examples of hedging in commodities and energy markets.

*Id.*, at 2355-2356 (citation, internal quotation marks, and internal modifications omitted). The

*Alice* court noted that the *Bilski* court held unanimously that the concept of hedging, or protecting against risk, was a patent-ineligible abstract idea. *See id.*, at 2356. The court expressly rejected the proposition that "a method of organizing human activity," as the petitioners before it characterized their patented method, could not be a patent-ineligible abstract idea. *Id.*

In connection with the second inquiry of the framework, the *Alice* court examined the elements of the patent claim before it to determine whether the claim included "additional features" sufficient to ensure that the claim was more than a drafting effort designed to protect the mere idea of automating or of reducing to an algorithm a patent-ineligible abstract idea. *Id.*, at 2357. The *Alice* court noted that, in *Mayo*, the Supreme Court had determined that an algorithm for calibrating the appropriate dosage of thiopurine drugs in the treatment of autoimmune diseases did not contain such additional features and thus did not transform the method into a patent-eligible invention in that, effectively, the algorithm merely codified a process the elements of which were already known. *See id.* The *Alice* court further noted that in both *Gottschalk* and *Flook*, the Supreme Court had determined similarly that implementation on a computer of an algorithm for performing tasks that would otherwise have been performed by human intervenors did nothing to supply the necessary "inventive concept." *Id.* Considering these cases together, the *Alice* court concluded that reducing what would otherwise be an abstract idea to an algorithm and then automating that algorithm "cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Id.*, at 2358. Considering the claim elements both individually and as an ordered combination, the *Alice* court found on that basis that the purported invention before it merely algorithmized and automated a procedure without introducing any innovation into the procedure itself, and concluded that for that reason the invention was patent-



ineligible. *See id.*, at 2359-2360.

The analytic framework of *Alice* governs and guides the analysis here. At the first step of the two-inquiry *Mayo* framework – determination whether the claims are drawn to patent-ineligible concepts – it is clear that the Patent claims are drawn to the abstract idea of a business transaction in which a customer, with or without reliance on the expertise of one or more other persons with knowledge of the characteristics of available custom components and of available fungible components, assembles a custom product by choosing components with desired characteristics. Each of the independent Patent claims at issue herein effectively describes nothing more than a step in such a transaction (*e.g.*, gathering data from a customer and/or a supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer). Plaintiffs argue to the contrary, but only by characterizing the processes of gathering data from a customer or supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer as constituting a "challenging technical problem." However, characterizing an abstract idea as a technological challenge does not satisfy the first *Mayo* inquiry, *see id.* at 2355-2356, and in any event, to the extent the Patent claims at issue here can accurately be construed as solving a technical problem, they do so by reducing a pre-existing process for combining custom components to an algorithm and then automating that algorithm. Plaintiffs' argument therefore provides no grounds for disturbing the conclusion that the Patent claims at issue here are drawn to an abstract idea.

At the second step of the two-inquiry *Mayo* framework – determination whether the elements of the claims constitute an inventive concept sufficient to transform the claims into a

patent-eligible application – it is equally clear that the elements of the allegedly infringed claims do not contain any "inventive concept" sufficient to transform the abstract business transaction underlying the invention into a patent-eligible application. Again, the Patent claims are drawn merely to the algorithmization of the elements of the abstract transaction and the automatization of that algorithm, with the result that the transaction can be performed more quickly than would otherwise be possible, but without performing any element of the abstract transaction in a novel manner. This is insufficient to make the application patent-eligible. *See, e.g., Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1351 (Fed. Cir. 2016) (collecting information, analyzing it, and displaying results is an abstract idea, even when automated on a computer); *TLI Communs. LLC v. AV Auto., L.L.C.*, 823 F.3d 607, 613-615 (Fed. Cir. 2016) (classifying, storing, and organizing digital images automatically according to an algorithm is an abstract idea notwithstanding that it is implemented and performed on a computer); *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1348-1351 (Fed. Cir. 2014) (combining separate databases and then performing mathematical manipulations on the resulting combined database and classifying and storing the results is an abstract idea, notwithstanding that it is implemented and performed on a computer).

Plaintiffs argue to the contrary that the Patent permits the formulation of an assembly of components that meet a customer's specifications without trial and error, whereas absent the innovation the Patent is ostensibly drawn to the formulation of such an assembly would require a lengthy and possibly expensive process of trial, error, and experimentation. However, none of the Patent claims contains any innovation that permits such formulation without trial and error; trial and error is obviated only to the extent the information supplied to plaintiffs' "tool" by its

user(s) about the components and how they work together is sufficiently detailed, thorough, and accurate to permit trial and experimentation to be omitted. *See* Patent, 3:49 – 4:20, 5:10 – 14:9. This is, of course, equally true when the same processes of gathering data from a customer or supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer are performed among human beings rather than by an automated algorithm, and therefore cannot be the locus of the requisite inventive concept.

Plaintiffs similarly argue that their "tool" permits virtual assembly and virtual testing of formulations of components, which would not be possible when the transaction at issue is performed among human beings. In support of this argument, plaintiffs note that dependent Patent claim 42 references the method described in independent Patent claim 41 with the added element that customers could use the formulation generated by the "tool" as the input to a modeling program that would permit virtual modeling and virtual testing to take place. *See* Patent, 21:1-11. However, the Patent specifications clarify that any such modeling, and therefore all such virtual assembly and/or virtual testing, would be performed by a stand-alone modeling application that is not a part of the patented "tool." *See* Patent, 12:27-34. The fact that the information output by the "tool" can be used as the input for a separate modeling application does not constitute an innovation relative to the situation where the processes of gathering data from a customer or supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer are performed among human beings.

Plaintiffs similarly argue that the "tool" that is the subject of the Patent is innovative relative to existing art in that it avoids the problem that humans can have limited or inaccurate knowledge, and thus can make errors in proposing formulations of components or can be

unaware of all possible available components. However, the "tool" does not in any sense solve or avoid this problem, in that the effective performance of the "tool" is constrained by the completeness and accuracy of the component information supplied by the users of the "tool" in precisely the same manner as when the processes of gathering data from a customer or supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer are performed among human beings.

In the alternative, plaintiffs argue that the "tool" at issue cannot be a mere abstract idea because it is, in their characterization, not an abstract idea in any sense but rather a novel manufacturing process. This argument is without merit. Although "formulations" output by the "tool" may be used in the real-world manufacture of products, the "tool" itself cannot be used to manufacture any product and does not in any sense constitute a manufacturing process.

In the further alternative, plaintiffs argue that the patent-eligibility of the '919 Patent is not governed by the *Mayo* framework or by *Alice*, because the *Mayo* framework is applicable only to innovations in the "science of finance" and not to innovations in the "technological arts." However, nothing in either *Mayo* or *Alice* suggests in any way that the holdings or reasoning of either of those cases could be so limited, and the courts of the Federal Circuit have not so limited them. *See, e.g., Alice*, 134 S. Ct. *passim*; *Mayo*, 566 U.S. *passim*; *TLI Communs.*, 823 F.3d 607, 613-615. Because in fact the plain language of *Alice* and of *Mayo* establish that their reasoning is applicable to all patent-eligibility inquiries under Section 101, plaintiffs' argument that those cases are distinguishable in that the Patent at issue here is drawn to a technological art provides no grounds for disturbing the conclusion that the "tool" is patent-ineligible.

Finally, the fact that in 2012 the Eastern District of Texas found the '919 Patent valid

does not provide grounds for denying Maxim's motion for judgment on the pleadings. In 2011, before *Alice* issued, the Federal Circuit decided *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011) ("*Ultramercial I*"), in which it found that a computer-implemented business method (specifically, a method for distributing copyrighted media products over the internet where the consumer receives a copyrighted media product at no cost in exchange for viewing an advertisement, and the advertiser pays for the copyrighted content) was not clearly ineligible for patent protection in that it was not so manifestly an abstract idea as to override the plain language of 35 U.S.C. § 101. *Ultramercial I* was appealed to the Supreme Court. While *Ultramercial I* was under appeal, on January 11, 2012, the court for the Eastern District of Texas concluded that the Patent at issue herein was valid, relying in large part on the Federal Circuit's decision in *Ultramercial I*. See Counterclaims, Exh. 2.

By the time the Supreme Court considered the appeal from *Ultramercial I*, it had issued its opinion in *Mayo*, but had not yet decided *Alice*. On May 21, 2012, the Supreme Court remanded *Ultramercial I* for reconsideration in light of its decision in *Mayo*. See *WildTangent, Inc. v. Ultramercial, LLC*, 566 U.S. 1007, 132 S. Ct. 2431 (2012). Following remand, on June 21, 2013, the Federal Circuit reached the same decision it had reached previously, that the computer-implemented business method at issue was valid. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013) ("*Ultramercial II*"). Once again, the Federal Circuit's decision was appealed to the Supreme Court. *Alice* issued June 19, 2014. On June 30, 2014, the Supreme Court remanded the appeal from *Ultramercial II* for reconsideration in light of *Alice*. See *WildTangent, Inc. v. Ultramercial, LLC*, 134 S. Ct. 2870 (2014).

Following remand, on November 14, 2014, the Federal Circuit determined, in light of

*Alice*, that the computer-implemented business method at issue was patent-ineligible, reversing the position it had taken twice previously pre-*Alice*. See *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 717 (Fed. Cir. 2014) ("*Ultramercial III*"). This constituted reversal of the case law that served as the basis for the decision of the Eastern District of Texas that the Patent was valid.

Because the independent and dependent Patent claims at issue herein, whether considered individually or as any ordered combination, provide no mechanism for the autonomous generation of "formulations" of components, virtual assembly of components, virtual test results, or any other inventive concept not inherently present in the abstract idea of the processes of gathering data from a customer or supplier, analyzing the data to match it to a product or products, and communicating the resulting match or matches back to the customer, but rather in effect provide for an empty database, invitation to a user to fill the database with complete and accurate information about available custom and fungible components and their interactions, and reliance on conventional search technology to search the database once it is populated by user data (which is not innovative relative to what a human would do to solve the same problem absent reliance on the claimed invention), those claims are ineffective to render the abstract idea patent-eligible. Because the Patent is drawn to a patent-ineligible abstract idea, the Patent is invalid as a matter of law. See *Alice*, 134 S. Ct. at 2352, 2357, 2358-2360.

## **CONCLUSION**

For the reasons set forth above, Maxim's motion (#25) for judgment on the pleadings should be granted, and this court should declare the Patent invalid and unenforceable. In consequence of the foregoing, Maxim's counterclaim for declaratory judgment that its EE-Sim Tool does not infringe the Patent should be denied as moot, and plaintiffs' claims of patent

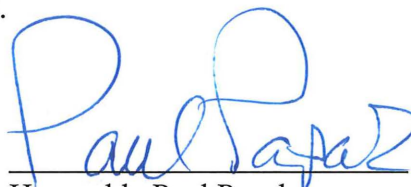
infringement should all be denied.

### **SCHEDULING ORDER**

The Findings and Recommendation will be referred to a district judge. Objections, if any, are due fourteen (14) days from service of the Findings and Recommendation. If no objections are filed, then the Findings and Recommendation will go under advisement on that date.

If objections are filed, then a response is due fourteen (14) days after being served with a copy of the objections. When the response is due or filed, whichever date is earlier, the Findings and Recommendation will go under advisement.

Dated this 11th day of January, 2018.

A handwritten signature in blue ink, appearing to read "Paul Papak", is written over a horizontal line.

Honorable Paul Papak  
United States Magistrate Judge