IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

PERDIEMCO, LLC, *Plaintiff,* v. INDUSTRACK LLC, et al. *Defendants.*	§ § § § § § § § § §	Case No. 2:15-cv-727-JRG-RSP
PERDIEMCO, LLC, *Plaintiff,* v. GPS LOGIC, LLC, et al. *Defendants.*	§ § § § § § § § § §	Case No. 2:15-cv-1216-JRG-RSP

REPORT AND RECOMMENDATION

Before the Court is a Motion for Judgment on the Pleadings that the Asserted Patents[1] Claim Ineligible Subject Matter under 35 U.S.C. § 101. Dkt. No. 62.[2] Also before the Court is a Motion for Judgment on the Pleadings that the Claims of the Asserted Patents are Invalid under

[1] The Asserted Patents in Case No. 2:15-cv-727 and Case No. 2:15-cv-1216 are the same. They are U.S. Patent Nos. 8,223,012; 8,493,207; 8,717,166; 9,003,499; and 9,071,931. These patents share a common specification.

[2] Citations to the docket are to Case No. 2:15-cv-727 except where otherwise indicated. Citations to the docket use the page numbers assigned by the Court's CM/ECF system.

35 U.S.C. § 112 ¶¶ 1 and 2.[3] Dkt. No. 66. These motions were filed by Defendants Geotab Inc., Teletrac, Inc. and Navman Wireless North America Ltd., and TV Management, Inc. d/b/a/ GPS North America, Inc.

Defendant TV Management, Inc. d/b/a GPS North America filed Motions for Judgment on the Pleadings in Case No. 2:15-cv-1216 requesting the same relief and reciting substantially identical arguments and authorities. Dkt. Nos. 48, 49 in Case No. 2:15-cv-1216.

The Court addresses these Motions (Dkt. Nos. 62, 66 in Case No. 2:15-cv-727; Dkt. Nos. 48, 49 in Case No. 2:15-cv-1216) collectively in this Report and Recommendation.

I. LAW

A. Judgment on the Pleadings

A motion for judgment on the pleadings under Rule 12(c) "is designed to dispose of cases where the material facts are not in dispute and a judgment on the merits can be rendered by looking to the substance of the pleadings and any judicially noticed facts." *Great Plains Trust Co. v. Morgan Stanley Dean Witter & Co.*, 313 F.3d 305, 312 (5th Cir. 2002). "Rule 12(b)(6) decisions appropriately guide the application of Rule 12(c) because the standards for deciding motions under both rules are the same." *Id.* at 313 n.8.

A court must assume that all well-pleaded facts are true and view those facts in the light most favorable to the plaintiff. *Bowlby v. City of Aberdeen*, 681 F.3d 215, 218 (5th Cir. 2012). The court may consider "the complaint, any documents attached to the complaint, and any documents attached to the motion to dismiss that are central to the claim and referenced by the complaint." *Lone Star Fund V (U.S.) L.P. v. Barclays Bank PLC*, 594 F.3d 383, 387 (5th Cir.

[3] Because the applications resulting in the Asserted Patents were filed before September 16, 2012, the effective date of the America Invents Act ("AIA"), the Court refers to the pre-AIA version of § 112.

2010). The court must then decide whether those facts state a claim for relief that is plausible on its face. *Bowlby*, 681 F.3d at 217. "A claim has facial plausibility when the pleaded factual content allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)).

B. Subject Matter Eligibility

Section 101 of the Patent Act defines what is eligible for patent protection: "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. § 101.

The Supreme Court has held that there are three specific exceptions to patent eligibility under § 101: laws of nature, natural phenomena, and abstract ideas. *Bilski v. Kappos*, 561 U.S. 593, 601 (2010). In *Mayo*, the Supreme Court set out a two-step test for "distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). Subject matter eligibility under § 101 serves as an important check on the scope of the patent monopoly by preventing a patentee from capturing a "building block[] of human ingenuity," "a method of organizing human activity," a "fundamental truth," an "idea of itself," "an original cause," "an algorithm," or a similar foundational concept. *Alice*, 134 S. Ct. at 2354–57 ("the concern that drives this exclusionary principle is one of pre-emption"). The doctrine of subject matter eligibility exists to prevent patent law from "inhibit[ing] further discovery by improperly tying up the future use of these building blocks of human ingenuity." *Id.* at 2354. Yet "we tread carefully in construing this exclusionary principle lest it swallow all of patent law." *Id.*

The first step of *Mayo* requires a court to determine if the claims are directed to a law of nature, natural phenomenon, or abstract idea. *Alice*, 134 S. Ct. at 2355. "If not, the claims pass muster under § 101." *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014). In making this determination, the court looks at what the claims cover. *Ultramercial*, 772 F.3d at 714 ("We first examine the claims because claims are the definition of what a patent is intended to cover."); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1369 (Fed. Cir. 2015) ("At step one of the *Alice* framework, it is often useful to determine the breadth of the claims in order to determine whether the claims extend to cover a 'fundamental … practice long prevalent in our system ….'") (quoting *Alice*, 134 S. Ct. at 2356).

"The abstract idea exception prevents patenting a result where 'it matters not by what process or machinery the result is accomplished.'" *McRO, Inc. v. Bandai Namco Games America, Inc.*, App. No. 2015-1080, slip op. at 19, 2016 U.S. App. LEXIS 16703 (Fed. Cir. Sept. 13, 2016). For example, in *Bilski*, the Supreme Court rejected as a patent-ineligible "Claims 1 and 4 in petitioners' application" because the claims simply "explain[ed] the basic concept of hedging, or protecting against risk." *Bilski*, 561 U.S. at 611; *see also BASCOM Global Internet Servs. v. AT&T Mobility LLC*, 2016 U.S. App. LEXIS 11687 at *26–27 (Fed. Cir. June 27, 2016) ("The claims in *Intellectual Ventures I* preempted all use of the claimed abstract idea on 'the Internet, on a generic computer.' The claims in *Content Extraction* preempted all use of the claimed abstract idea on well-known generic scanning devices and data processing technology. The claims in *Ultramercial* preempted all use of the claimed abstract idea on the Internet. And the claims in *Accenture* preempted all use of the claimed abstract idea on generic computer components performing conventional activities.") (citations omitted). However, when performing this step, the Court "cannot simply ask whether the claims *involve* a patent-ineligible

concept, because essentially every routinely patent-eligible claim involving physical products and actions *involves* a law of nature and/or natural phenomenon—after all, they take place in the physical world." *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. May 12, 2016).

A court applies the second step of *Mayo* only if it finds in the first step that the claims are directed to a law of nature, natural phenomenon, or abstract idea. *Alice*, 134 S. Ct. at 2355. The second step requires the court to determine if the elements of the claim individually, or as an ordered combination, "transform the nature of the claim" into a patent-eligible application. *Alice*, 134 S. Ct. at 2355. In determining if the claim is transformed, "[t]he cases most directly on point are *Diehr* and *Flook*, two cases in which the [Supreme] Court reached opposite conclusions about the patent eligibility of processes that embodied the equivalent of natural laws." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1298 (2012); *see also Alice*, 134 S. Ct. at 2355 ("We have described step two of this analysis as a search for an 'inventive concept.'").

In *Diehr*, the Court "found [that] the overall process [was] patent eligible because of the way the additional steps of the process integrated the equation into the process as a whole." *Mayo*, 132 S. Ct. at 1298 (citing *Diamond v. Diehr*, 450 U.S. 175, 187 (1981)); *see also Mayo*, 132 S. Ct. at 1299 ("It nowhere suggested that all these steps, or at least the combination of those steps, were in context obvious, already in use, or purely conventional."). In *Flook*, the Court found that a process was patent-ineligible because the additional steps of the process amounted to nothing more than "insignificant post-solution activity." *Diehr*, 450 U.S. at 191–92 (citing *Parker v. Flook*, 437 U.S. 584 (1978)).

A claim may become patent-eligible when the "claimed process include[s] not only a law of nature but also several unconventional steps … that confine[] the claims to a particular, useful

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