

No. \_\_\_\_\_

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**In The  
Supreme Court of the United States**

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**RETIREMENT CAPITAL ACCESS  
MANAGEMENT COMPANY LLC,**  
*Petitioner,*

v.

**U.S. BANCORP and MICHELLE K. LEE,**  
**Under Secretary of Commerce for  
Intellectual Property and Director, Patent  
and Trademark Office,**  
*Respondents.*

————— ◆ —————  
**ON PETITION FOR WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

————— ◆ —————  
**PETITION FOR WRIT OF CERTIORARI**  
————— ◆ —————

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*Dated: November 5, 2015*

## QUESTIONS PRESENTED

In 2011, Congress enacted the Leahy-Smith America Invents Act (hereinafter “AIA” or “the Act”), Pub. L. No. 112-29, 125 Stat. 284 (2011). The Act created three new post-grant administrative proceedings for challenging the validity of patents. It also created within the Patent and Trademark Office (“PTO”) a new tribunal called the Patent Trial and Appeal Board (hereinafter the “Board”) to preside over these new proceedings. One of the newly created proceedings is the transitional post-grant review, also known as “covered business method” or “CBM” review, for patents directed to a financial product or service. The AIA limits the Board’s jurisdiction with respect to CBM review to challenges based on any ground that could be raised under paragraph (2) or (3) of 35 U.S.C. § 282(b). Paragraph 2 provides that a party may seek to invalidate a patent or claim on any ground specified in part II of Title 35 as a condition for patentability.

The questions presented arise from the Federal Circuit affirming, without comment, the Board’s holding that 35 U.S.C. § 101 is a ground specified in part II of Title 35 as a condition for patentability and therefore constitutes a proper basis for review in a CBM proceeding, and from the Federal Circuit affirming the Board’s application of § 101 to the patent claims at issue. They are:

1. Whether subject matter eligibility under 35 U.S.C. § 101 is a ground specified as a condition for patentability under 35 U.S.C. § 282(b)(2).

2. Whether the Board errs when it invalidates issued patent claims posing no risk of pre-emption under the abstract idea exception to patent eligibility.

## **PARTIES TO THE PROCEEDINGS**

Petitioner is Retirement Capital Access Management Company, LLC (“RCAMC”) and Respondents are U.S. Bancorp and Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office, who intervened in the Federal Circuit to defend the decision of the Board.

## **CORPORATE DISCLOSURE STATEMENT**

RCAMC has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

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## PETITION FOR A WRIT OF CERTIORARI

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Petitioner RCAMC respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

### OPINIONS BELOW

The opinion of the Federal Circuit, App. at 1a-9a, is reported at 611 Fed. App'x 1007 (Mem.). The final written decision of the Board, App. at 10a-34a, is not reported but can be found at 2014 WL 4229953. The decision of the Board to institute covered business method patent review, App. at 35a-54a, is not reported but can be found at 2013 WL 8538864.

### JURISDICTION

The Federal Circuit entered its judgment on August 7, 2015. App. at 1a-9a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### STATUTORY AND REGULATORY PROVISIONS INVOLVED

The relevant statutory and regulatory provisions are reproduced in the appendix to this petition. App. at 55a-74a.

## STATEMENT OF THE CASE

### A. Covered Business Method Patent Review

In 2011, Congress enacted the AIA, creating, among other things, the CBM review for challenging the validity of financial product and service patents. To hear these challenges, as well as others, Congress formed the Board within the PTO. The Board's jurisdiction with respect to CBM review is limited to challenges based on any ground that could be raised under paragraph (2) or paragraph (3) of 35 U.S.C. § 282(b). 35 U.S.C. § 321(b); *see also* AIA, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 331 (2011). Paragraph 2 provides that a party may seek invalidity of a patent or any claim "on any ground specified in part II [of Title 35] as a condition for patentability." 35 U.S.C. § 282(b)(2). Paragraph 3 provides that a party may seek invalidity of a patent or any claim for failure to comply with: (a) any requirement of § 112 (excluding failure to disclose best mode); or (b) any requirement of § 251. *Id.* § 282(b)(3).

Under the CBM review system, to initiate a challenge to the validity of an existing patent, the petitioner must identify in writing and with particularity:

the evidence that supports the grounds for the challenge to each claim, including—(A) copies of patents and printed publications that the Appellee relies upon in support of the petition;

and (B) affidavits or declarations of supporting evidence and opinions, if the Appellee relies on other factual evidence or on expert opinions . . . .

AIA § 18(a)(1); 35 U.S.C. § 322. The petitioner also has the burden of proving a proposition of invalidity by a preponderance of the evidence. AIA § 18(a)(1); 35 U.S.C. § 326(e).

## **B. Proceedings Below**

RCAMC is the owner of U.S. Patent No. 6,625,582 (“the ’582 patent”). In June 2012, RCAMC, which is owned by the inventors of the ’582 patent, and its exclusive licensee, Benefit Funding Systems LLC, sued U.S. Bancorp for infringement of the ’582 patent in the District Court for the District of Delaware in *Benefit Funding Sys. LLC v. U.S. Bancorp*, No 1:12-cv-803-LPS (D. Del. filed June 22, 2012).<sup>1</sup> Jurisdiction was invoked under 28 U.S.C. §§ 1331 and 1338(a).

In March 2013, U.S. Bancorp filed a petition requesting post-grant review of the ’582 patent under the transitional program for CBM patents. It sought CBM review on the sole basis that claims 1, 13, 14, 18, 30, and 31 are directed to unpatentable subject matter under § 101. RCAMC subsequently filed a Preliminary Response.

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<sup>1</sup> Unless otherwise stated, the procedural history recited herein is taken from the Background section of the Final Written Decision of Board. App. at 10a-12a.

In September 2013, the Board instituted CBM review. After reviewing the challenged claims, the Board ultimately determined U.S. Bancorp sufficiently demonstrated it was more likely than not the challenged claims were unpatentable, granted U.S. Bancorp's petition, and instituted a trial.

In November 2013, RCAMC filed a Response arguing that § 101 is not a proper ground for review in CBM proceedings and the challenged claims of the '582 patent are patentable. On January 21, 2014, U.S. Bancorp filed its Reply. Both parties requested an oral hearing, and the oral hearing was held in April 2014.

On August 22, 2014, the Board issued a final written decision. App. at 10a-34a. The Board disagreed with RCAMC's position that the determination of patent eligibility under § 101 is not a condition for patentability, such as those set forth in 35 U.S.C. §§ 102 and 103. App. at 19a. In doing so, it referred to case law, stating that both the Supreme Court and the Federal Circuit recognize § 101 as a condition for patentability. App. at 19a-20a. The Board also took the position the legislative history of the AIA indicates Congress intended the Board to consider challenges brought under § 101 for post-grant reviews. App. at 20a. It ultimately concluded § 101 is a proper ground upon which a CBM review can be maintained. App. at 21a.

The Board then applied a patentability analysis under § 101. App. 21a-33a. It made no pre-emption determination and stated: "pre-emption is only one test used to determine whether a claim is

directed to an abstract idea.” App. at 32a. The Board opined that the identified abstract concept “is an economic practice long prevalent in our system of commerce and squarely within the realm of abstract ideas.” App. at 24a. It cited no record evidence in support of this position. *See id.* It then concluded the challenged claims of the ’582 patent are unpatentable under § 101. App. at 33a.

RCAMC appealed to the Federal Circuit, and the PTO intervened to defend the Board’s decision. On August 7, 2015, after briefing and oral argument, the Federal Circuit issued a Notice of Entry of Judgment Without Opinion, thereby affirming the Board’s decision in its entirety without comment. App. at 1a-9a.

## ARGUMENT

The AIA does not provide the Board jurisdiction to conduct CBM reviews on the basis of 35 U.S.C. § 101, yet it is regularly doing so in excess of its jurisdictional authority. By ignoring the plain language of the jurisdictional statute—a practice now approved by the Federal Circuit—the Board has fundamentally altered the newly enacted statutory scheme. The Court’s intervention is needed to halt the Board’s consistent invalidation of issued patents on unauthorized grounds, and this case is the proper vehicle to do so.

In the proceedings below, the Board instituted CBM review of the ’582 patent solely under § 101. Against the argument of Petitioner RCAMC, it then expressly held that § 101 is a valid ground for CBM

review. The Federal Circuit approved of this practice (and implicitly the review itself) by affirming, without comment, the Board's holding. Making matters worse, the Federal Circuit also affirmed the Board's position that the risk of preemption is only *one* test used to determine whether patent claims meet the abstract idea exception to patentability. This holding is in clear contravention of the § 101 jurisprudence of this Court—namely, that risk of preemption is the foundational threshold issue used to determine whether patent claims embody a patent-ineligible abstract idea.

There is no dispute over the centrality of these issues to the proper functioning of the AIA, and indeed to the patent system as a whole. Absent correction by this Court, the Board will continue to exceed its authority by invalidating patents under § 101.

## **I. THE BOARD LACKS JURISDICTION TO INVALIDATE ISSUED PATENTS UNDER § 101.**

Statutory construction begins with the language of the statute. *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 450 (2002). From the outset, a court must determine whether the language at issue has a plain and unambiguous meaning in the context of the particular dispute. *Robinson v. Shell Oil Co.*, 519 U.S. 337, 340 (1997). If the statutory language is unambiguous, there is no step two—the inquiry must cease. *Id.* To determine if the language of a statute is ambiguous, courts look to the relevant language itself, the specific context in which it is

used, and the broader context of the statute as a whole. *Id.* at 341. Applying these factors here demonstrates the relevant provisions of the Patent Act plainly and unambiguously exclude § 101 from the scope of CBM review.

**A. Challenges to the validity of a patent in a CBM proceeding are statutorily limited to grounds “specified” in the Patent Act “as a condition for patentability.”**

A petitioner in a transitional proceeding “may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of [35 U.S.C.] 282(b).” 35 U.S.C. § 321(b); *see also* AIA, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 331 (2011). Under paragraph (2) of § 282(b), a party may seek invalidity of a patent or any claim “on any ground *specified in part II [of Title 35] as a condition for patentability.*” 35 U.S.C. § 282(b)(2) (emphasis added). Paragraph (3) of § 282(b) provides that a party may seek invalidity of a patent or any claim for failure to comply with: (a) any requirement of § 112 (excluding failure to disclose best mode); or (b) any requirement of § 251. *Id.* § 282(b)(3). Hence, § 101 can constitute a basis for instituting a CBM review *only* if it is a ground “specified” in part II of Title 35 “as a condition for patentability”.

**B. The plain text and structure of the Patent Act supports the conclusion that § 101 is not specified as a condition for patentability.**

When a statute's language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce the statute according to its terms. *Hartford Underwriters Ins. Co. v. Union Planters Bank, NA*, 530 U.S. 1, 5 (2000). Indeed, courts “must presume that a legislature says in a statute what it means and means in a statute what it says.” *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 461-62 (2002) (internal quotations and citations omitted). “When the words of a statute are unambiguous, then, this first canon is also the last: judicial inquiry is complete.” *Barnhart*, 534 U.S. at 462 (quoting *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992)). The plain language of the relevant provisions of the Patent Act excludes § 101 from the scope of CBM review.

Part II of Title 35 encompasses sections 100-212. Of numerous sections in Part II, only two are specified as a “condition for patentability.” Section 102 is titled “Conditions for patentability; novelty” and § 103 is titled “Conditions for patentability; non-obvious subject matter.” Moreover, no other section contained in Part II includes the terms “condition” and “patentability” anywhere, either in the title or in the body. Thus “[t]he two sections of part II that Congress has denominated as ‘conditions of patentability’ are § 102 (‘novelty and loss of right to patent’) and § 103 (‘nonobvious subject matter’).”

*MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012). Even if statutory headings are generally not dispositive, the circumstances are different here—the term “specified” focuses on precise identification, *i.e.*, labels. This point is bolstered by the fact Congress textually designated §§ 102 and 103 in Part II as “conditions for patentability.” Section 101 is not *specified* as a condition for patentability; it falls outside § 321(b) and cannot form the basis of CBM review.

The text of § 101 reinforces that the language of § 282(b)(2) is unambiguous. Section 101 states: “[w]hoever invents or discovers any new and useful process . . . or any new and useful improvement thereof, may obtain a patent therefore,” but doing so is “subject to the *conditions* and requirements of this title.” 35 U.S.C. § 101 (emphasis added). Something cannot be *a* condition of the title when it is subject to *the* conditions of the title. Something cannot be “subject to” its own existence. Again, nowhere within part II is § 101 “specified” as a condition for patentability—not in the label or text. But beside that significant point, § 101 does not contain “conditions” for patentability; rather, it sets forth the subject matter that can be patented, hence the title “inventions patentable.” *See Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303-04 (2012) (quoting H.R. Rep. No. 1923, 82d Cong., 2d Sess., 6 (1952) (“A person may have ‘invented’ a machine or a manufacture, which may include anything under the sun that is made by man, *but it is not necessarily patentable under section 101 unless the conditions of the title are fulfilled*”) (emphasis added)); S. Rep. No. 82-1979, at

2399 (1952) (“Section 101 sets forth the subject matter that can be patented, ‘subject to the conditions and requirements of this title.’ The conditions under which a patent may be obtained follow, and section 102 covers the conditions relating to novelty. A person may have ‘invented’ a machine or manufacture, which may include anything under the sun that is made by man, but it is not necessarily patentable under section 101 unless the conditions of the title are fulfilled.”). There lies the distinction.

Alarming, and contrary to the Board’s position below, even the guidance provided by the PTO’s own website excludes § 101 as a ground upon which a petitioner may challenge a patent in a CBM review. The PTO’s “FAQ” states: “A petitioner for post grant review may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of 35 U.S.C. 282(b) relating to invalidity (i.e., novelty, obviousness, written description, enablement, indefiniteness, but not best mode).” App. at 213a. In sum, the plain language of § 282(b)(2) unambiguously excludes § 101 as a basis for CBM review, and transitional CBM review proceedings may not be instituted on the basis of § 101. *See Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2446 (2014) (“We reaffirm the core administrative-law principle that an agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate.”).

**C. Because the relevant language of the Patent Act is unambiguous, the legislative history is immaterial.**

“The strong presumption that the plain language of the statute expresses congressional intent is rebutted only in rare and exceptional circumstances, when a contrary legislative intent is clearly expressed.” *Ardestani v. INS*, 502 U.S. 129, 135-36 (1991) (internal citations and quotations omitted); *see also Salinas v. U.S.*, 522 U.S. 52, 57 (1997) (internal citations and quotations omitted) (“Only the most extraordinary showing of contrary intentions in the legislative history will justify a departure from the language”); *Am. Tobacco Co. v. Patterson*, 456 U.S. 63, 68 (1982) (“absent a clearly expressed legislative intention to the contrary, [statutory] language must ordinarily be regarded as conclusive”). Because the statutory language discussed above is unambiguous, the legislative history of the AIA is immaterial. It is also not relevant to the meaning of “specified in part II as a condition for patentability” given the terms “specified” and “condition for patentability” in 35 U.S.C. § 282(b)(2) were first enacted in the 1952 Patent Act—not the AIA.

Earlier versions of what eventually became enacted in the AIA conclusively show Congress knew how to provide that § 101 would be a basis for CBM review. One piece of predecessor legislation provided, “The issues of invalidity that may be considered during the [post grant] opposition proceeding are double patenting and any of the requirements of patentability set forth in sections

101, 102, 103, 112, and 251(d).” Patent Act, H.R. 1275, 109th Cong. § 324 (2005). This Court “ordinarily will not assume that Congress intended ‘to enact statutory language that it has earlier discarded in favor of other language.’” *Chickasaw Nation v. United States*, 534 U.S. 84, 93 (2001) (quoting *INS v. Cardoza-Fonseca*, 480 U.S. 421, 443 (1987)). Yet, that is what the Board contends the Court should do. Because courts “must presume that a legislature says in a statute what it means and means in a statute what it says,” *Barnhart*, 534 U.S. at 461-62, the AIA should not be construed in contravention of the plain language excluding § 101 as a basis for CBM review.

**D. Neither opinion cited by the Board as precedent addressed whether § 101 is a condition for patentability.**

The only “precedent” cited by the Board is *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 12 (1966), and *Aristocrat Techs. Austl. PTY Ltd. v. Int’l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008), neither of which controls whether § 101 is a condition for patentability. In *Graham*, the Court’s opinion centered on nonobviousness under § 103, and concluded that instead of creating a new level of patentability, § 103 was intended only to codify judicial precedent. *Graham*, 383 U.S. at 12. The *Graham* Court did not, however, hold § 101 is specified as a condition for patentability. In fact, *Graham* did not even involve considerations of patent eligibility under § 101.

Other Supreme Court decisions actually addressing patent eligibility under § 101 contradict the dicta<sup>2</sup> in *Graham*. In *Diamond v. Diehr*, 450 U.S. 175 (1982), for example, the Court stated:

It has been urged that novelty is an appropriate consideration under § 101. Presumably this argument results from the language in § 101 referring to any “new and useful” process, machine, etc. Section 101, however, is a general statement of the type of subject matter that is eligible for patent protection “subject to the conditions and requirements of this title.” Specific conditions for patentability follow and § 102 covers in detail the conditions relating to novelty. The question therefore of whether a particular invention is novel is “wholly apart from whether the invention falls into a category of statutory subject matter.” *In re Bergy*, 596 F.2d 952, 961 (Cust. & Pat. App., 1979) (emphasis deleted). See also *Nikola v. Peterson*, 580 F.2d 898 (6th Cir. 1978). The legislative history of the 1952 Patent Act is in accord with this reasoning. The Senate Report stated:

“Section 101 sets forth the subject matter that can be patented, ‘subject to

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<sup>2</sup> These other Supreme Court decisions also are not binding because they do not involve a holding that § 101 is specified in the Patent Act as a condition for patentability.

the conditions and requirements of this title.’ The conditions under which a patent may be obtained follow, and *Section 102 covers the conditions relating to novelty.*” S. Rep. No. 1979, 82d Cong., 2d Sess., 5 (1952), U.S. Code Cong. & Admin. News, 1952, p. 2399 (emphasis supplied).

.....

Finally, it is stated in the “Revision Notes”:

“The corresponding section of [the] existing statute is split into two sections, section 101 relating to the subject matter for which patents may be obtained, and section 102 defining statutory novelty and stating other conditions for patentability.” *Id.*, at 17, U.S. Code Cong. & Admin. News, 1952, p. 2409. *See also* H.R. Rep. No. 1923 82d Cong., 2d Sess., at 6, 7, and 17 (1952).

In this case, it may later be determined that the respondents’ process is not deserving of patent protection because it fails to satisfy the statutory conditions of novelty under § 102 or nonobviousness under § 103. A rejection on either of these grounds does not affect the determination that respondents’ claims recited subject

matter which was eligible for patent protection under § 101.

*Id.* at 189-91. Similarly, the Court more recently stated in *Bilski v. Kappos*, 561 U.S. 593 (2010):

The § 101 patent-eligibility inquiry is only a threshold test. Even if an invention qualifies as a process, machine, manufacture, or composition of matter, in order to receive the Patent Act's protection the claimed invention must also satisfy "the conditions and requirements of this title." § 101. Those requirements include that the invention be novel, see § 102, nonobvious, see § 103, and fully and particularly described, see § 112.

130 S. Ct. at 3225.

Reliance on the Federal Circuit's opinion in *Aristocrat* is equally in vain. To begin with, *Aristocrat* did not involve subject matter eligibility under § 101, but rather whether improper revival of a patent application or patent is a defense to a civil action for patent infringement. 543 F.3d at 660-61. And any dicta relied upon in *Aristocrat* traces back to dicta from *Graham*. Moreover, language can be found in other Federal Circuit cases stating exactly the opposite. In *MySpace*, for example, the Federal Circuit states: "The two sections of part II that Congress has denominated 'conditions of patentability' are § 102 and § 103 . . . ." 672 F.3d at 1260-61.

To the extent pronouncements in *Graham*, *Diehr*, and *Bilski* are incompatible, this helps explain why this Court counsels the following maxim should not be disregarded:

‘[G]eneral expressions, in every opinion, are to be taken in connection with the case in which those expressions are used,’ and that if they go ‘beyond the case, they may be respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision . . . .’

*Wright v. United States*, 302 U.S. 583, 593-94 (1938) (quoting *Cohens v. Virginia*, 19 U.S. 264, 399 (1821)); see also *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 147 (2001) (Breyer, J., dissenting) (“Respondent and the Government claim that *Chakrabarty* controls the outcome in this case. This is incorrect, for *Chakrabarty* said nothing about the specific issue before us.”); *Brecht v. Abrahamson*, 507 U.S. 619, 631 (1993) (reaffirming longstanding rule that if a decision does not “squarely address [an] issue,” a court remains “free to address the issue on the merits” in a subsequent case); *United States ex rel. Turner v. Williams*, 194 U.S. 279 (1904) (“The rule of *stare decisis* only arises in respect of decisions directly upon the points at issue.”).

**E. The Federal Circuit’s recent decision in *Versata* is based on a misinterpretation of the Patent Act and does not justify permitting the Board to exceed its statutory authority.**

It was not until very recently, in *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), that a panel of the Federal Circuit directly weighed in on whether the Board exceeds the scope of its authority delineated by Congress in permitting a § 101 challenge in CBM reviews. In *Versata*, the Federal Circuit panel acknowledged the Patent Act does not specify § 101 as a condition for patentability; however, the panel stated: “both our opinions and the Supreme Court’s opinions over the years have established that § 101 challenges constitute validity and patentability challenges.” *Id.* at 1330. Based on that incorrect premise, the *Versata* panel concluded that “[e]xcluding § 101 considerations from the ameliorative processes in the AIA would be a substantial change in the law as it is understood, and requires something more than some inconsistent sections headings in a statute’s codification.” *Id.*

The Federal Circuit panel’s statements are plainly incorrect. At the time the AIA was enacted, this Court had never invalidated an issued patent under § 101. And the only decision in which the Federal Circuit had ever invalidated an issued patent under § 101 was *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011), which was decided on August 16, 2011—less than one

month before the AIA was signed into law, but after it passed the House of Representatives and the Senate had passed its own version. *See* 157 Cong. Rec. H4505 (June 23, 2011); 157 Cong. Rec. S1381 (March 8, 2011).

**F. The decisions below present an undecided issue of exceptional importance to the patent system and economy.**

The *Versata* panel expressed reluctance to exclude § 101 considerations from CBM reviews because § 101 validity challenges “today are a major industry, and they appear in case after case in our court and in Supreme Court cases, not to mention now in final written decisions in reviews under the AIA.” *Id.* This attempt to justify the Board exceeding its statutory authority is completely untethered to the plain language of the AIA as enacted by Congress. And, it underscores the reality that by allowing § 101 challenges in CBM reviews of issued patents, a major industry having no jurisdictional basis has been created—one that is resulting in the destruction of private property rights. *See Consol. Fruit–Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land.”); *Kearns v. Gen. Motors Corp.*, 94 F.3d 1553, 1555 (Fed. Cir. 1996) (“By statutory and common law, each patent establishes an independent and distinct property right.”). By any measure, this extension of the AIA by the Board is having a tremendous and immediate impact on the U.S. patent system and the rights of patent owners. Those consequences should not come

to pass without this Court’s plenary review. This Court should grant review in this case of first impression to resolve any uncertainty about whether § 101 is specified as a condition for patentability and to restore the limits set by Congress to the Board’s authority in CBM proceedings. *See Util. Air Regulatory Group*, 134 S. Ct. at 2444 (citations omitted) (“When an agency claims to discover in a long-extant statute an unheralded power to regulate ‘a significant portion of the American economy,’ we typically greet its announcement with a measure of skepticism. We expect Congress to speak clearly if it wishes to assign to an agency decisions of vast ‘economic and political significance.’). Otherwise, it is clear the Board will—with the Federal Circuit’s approval—continue to exercise powers outside its authority.

## **II. PATENT CLAIMS POSING NO RISK OF PRE-EMPTION DO NOT FALL WITHIN THE ABSTRACT IDEA EXCLUSION TO PATENT ELIGIBILITY.**

Pre-emption is the only concern driving this Court’s abstract idea exception to patent eligibility. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (hereinafter “*Alice II*”); *see also Mayo*, 132 S. Ct. at 1294 (case law “warn[s] against upholding patents that claim processes that too broadly preempt the use of a natural law”); *Bilski*, 561 U.S. at 611-12 (“Allowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.”); *Diehr*, 450 U.S. at 187 (“Their process admittedly employs a well-known

mathematical equation, but they do not seek to pre-empt the use of that equation. Rather, they seek only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process.”); *Benson*, 409 U.S. at 71-72 (“The mathematical formula involved here has no substantial application except in connection with a digital computer, which means that if the judgment below is affirmed, the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.”). Thus, if the claims at issue pose no risk of pre-empting a law of nature, a natural phenomenon, or an abstract idea, they are eligible for patenting under § 101. See *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1282 (Fed. Cir. 2013) *aff’d*, 134 S. Ct. 2347 (2014) (hereinafter, “*Alice I*”).

In *Mayo*, the Court set forth a framework for distinguishing ineligible patent claims from those that pose no risk of pre-emption. 132 S. Ct. at 1289. In doing so, the Court emphasized that “too broad an interpretation of [the] exclusionary principle could eviscerate patent law.” *Id.* at 1293. Further, the Court noted the second step of the two-step framework is a “search . . . that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Alice II*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294). In other words, pre-emption is the starting point and foundational inquiry upon which any § 101 evaluation of patent claims rests. See *Alice II*, 134 S. Ct. at 2358 (“a pre-emption concern . . . undergirds our § 101 jurisprudence.”). Patent claims that do not

disproportionately tie up the use of an allegedly abstract idea—*i.e.*, patent claims posing no risk of pre-emption—remain eligible for patent protection. *Id.* at 2354.

**A. Pre-emption is the touchstone of the abstract idea exception to subject matter eligibility, and the '582 patent claims pose no risk of pre-emption.**

There is no dispute the '582 patent claims pose no risk of pre-emption. In fact, the Board conceded as much, stating, “pre-emption is only one test to determine whether a claim is directed to an abstract idea.” App. at 32a. In accordance with the framework established by this Court, the § 101 inquiry should have ended based on the mere fact there is no risk of pre-emption. Yet the Board went on to hold the claims at issue constitute a patent ineligible abstract idea. App. at 33a. By disregarding the grounding principle of pre-emption, the Board failed to respect and give full weight to this Court’s treatment of pre-emption as the primary basis for the judicial exclusions under § 101. The answer to the preliminary question of pre-emption here is plainly, “No,” and no further evaluation of the “abstract idea” exception to subject matter eligibility was warranted or permitted. *See Alice I*, 717 F.3d at 1282. For this reason alone, the Board’s Final Decision and the Federal Circuit’s Rule 36 affirmance should be reversed.

**B. There is no record evidence to support U.S. Bancorp's contention that the challenged claims of the '582 patent are invalid as patent ineligible abstract ideas.**

Of course, the Board had no choice but to ignore the fact there is no risk of pre-emption because its decision was untethered to record evidence. To support a petition for CBM review, the petitioner must meet the burden of proving by a preponderance of the evidence that a proposition of invalidity is true. AIA § 18(a)(1); 35 U.S.C. § 326(e). Moreover, the petitioner must identify in its petition, in writing and with particularity:

the evidence that supports the grounds for the challenge to each claim, including . . . affidavits or declarations of supporting evidence and opinions, if the petitioner relies on . . . factual evidence [other than patents or printed publications,] or on expert opinions . . .

AIA § 18(a)(1); 35 U.S.C. § 322. The '582 patent was the only patent before the Board and U.S. Bancorp offered no other evidence. Absent evidence, the Board could not properly have concluded the '582 patent claims risked disproportionately tying up an abstract idea.

The Board's errors began with the first step of the two-step *Mayo* framework: determining whether the claims at issue are directed to a patent-ineligible abstract idea. *Alice II*, 134 S. Ct. at 2355. In its

petition, U.S. Bancorp contended the claims of the '582 patent are directed to the concept of advancing funds based on future retirement payments. App. at 175a. After briefing closed, and subsequent to the final hearing, the Board in its Final Decision—for the first time—posited that the concept of advancing funds based on future retirement payments “is an economic practice long prevalent in our system of commerce”, a position not even U.S. Bancorp argued. App. at 24a. Like U.S. Bancorp, the Board failed to cite any evidence to support this proposition, and the specification of the '582 patent itself states future retirement benefits have not generally been seen as an adequate source of current capital. App. at 84a. There is no other evidence in the record. Consequently, U.S. Bancorp could not have satisfied its burden of proving the challenged claims are invalid, and the Board should have terminated its review at the outset. *See Helios Software, LLC v. SpectorSoft Corp.*, No. CV 12-081-LPS, 2014 WL 4796111, at \*17 (D. Del. Sept. 18, 2014) (“Although ‘remotely monitoring data associated with an Internet session’ or ‘controlling network access’ may be principles fundamental to the ubiquitous use of the Internet or computers generally, SpectorSoft has provided no support for that position. As such, the Court cannot agree with SpectorSoft that the patents-in-suit are drawn to an abstract idea.”).

The Board attempted to relate the alleged abstract concept involved with the '582 patent to this Court's decisions in *Bilski* and *Alice II*. Yet, in *Alice II*, the Court cited, among other materials, Henry Crosby Emery, *Speculation on the Stock and Produce Exchanges of the United States*, in 7 STUDIES IN

HISTORY, ECONOMICS AND PUBLIC LAW 283, 346-56 (1896), as support for the proposition the use of a third-party intermediary had long been in use. 134 S. Ct. at 2356. And in *Bilski*, the Court cited (1) Dimitris Chorafas, INTRODUCTION TO DERIVATIVE FINANCIAL INSTRUMENTS 75-94 (2008), (2) Clyde Stickney, Roman Weil, K. Schipper, & Jennifer Francis, FINANCIAL ACCOUNTING: AN INTRODUCTION TO CONCEPTS, METHODS, AND USES 581-82 (13th ed. 2010), and (3) Stephen Ross, Randolph Westerfield, & Bradford Jordan, FUNDAMENTALS OF CORPORATE FINANCE 743-44 (8th ed. 2008) to support its finding hedging was a long used fundamental economic practice. 561 U.S. at 611. Despite U.S. Bancorp's burden, no such evidence was identified here. Again, this should have resulted in termination of the CBM review. And, alarmingly, that is exactly what the Board has done in other CBM reviews. See *PNC Bank*, 2014 WL 4537440, at \*13 ("We also find that Petitioner does not provide sufficient persuasive evidentiary support that the placing of a trusted stamp or seal on a document is 'a fundamental economic practice' or a 'building block of the modern economy'"). Notably, the *PNC Bank* decision was rendered less than one month following the Final Decision at issue in this appeal, and the administrative judge who authored the Board's Final Decision in this case participated on the panel in *PNC Bank*.

Even if there had been evidence that an abstract concept was implicated by the '582 patent claims, the exclusionary principle also requires evaluation of whether the claims contain "an element or combination of elements that is 'sufficient

to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself,”—*i.e.*, that the patent does not preempt an abstract concept. *Alice II*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294). This Court has said that claim limitations directed to “well-understood, routine, conventional activity previously engaged in by researchers in the field” are insufficient to avoid pre-emption. *Mayo*, 132 S. Ct. at 1294. Here, because U.S. Bancorp submitted no evidence, the Board could not properly find that all of the limitations in the ’582 patent claims involved only well-understood, routine, conventional activity, and, therefore, pose a risk of pre-emption.

Again, Congress expressly burdened U.S. Bancorp with identifying the evidence supporting the grounds for the challenge to each claim, and proving its proposition of invalidity by a preponderance of the *evidence*. U.S. Bancorp and the Board cited no evidence; they simply said so. But they cannot make core factual conclusions related to patentability, such as whether the allegedly abstract concept involved here was an economic practice long prevalent in our system of commerce, or whether limitations on the identified abstract concept were routine and conventional, based on their own understanding, experience, or convenience—or on their assessment of what would be basic knowledge or common sense. Instead, there must be some concrete evidence in the record to support such findings. *See In re Zurko*, 258 F.3d 1379, 1386 (Fed. Cir. 2001); *see also K/S Himpp v. Hear-Wear Techs., LLC*, 751 F.3d 1362, 1366 (Fed. Cir. 2014) (“The Board’s decision [refusing to reject

patent claims subject to ex parte reexamination] was correct because an assessment of basic knowledge and common sense as a replacement for documentary evidence for core factual findings lacks substantial evidence support”). There is none. For this additional reason, the Board abdicated its responsibility to ensure U.S. Bancorp met its burden of proving the ’582 patent claims pose a risk of pre-emption.

**C. The Board erred by failing to consider whether the practical, non-infringing alternatives to the alleged abstract idea confirmed the ’582 patent claims pose no risk of pre-emption here.**

What is more, other reasons not properly addressed by the Board evidence there is no risk of pre-emption in the case of the ’582 patent. U.S. Bancorp, for example, contended in discovery that there exist non-infringing alternatives to the allegedly abstract concept, and affirmed that it was utilizing them. The Board disregarded U.S. Bancorp’s factual representations on the basis that a party is permitted to plead in the alternative. Even if merely pleading in the alternative was not dispositive on the issue of pre-emption, parties should not be permitted to swear to inconsistent facts in discovery responses and later choose which version of the truth they want to stand behind during legal proceedings. *Langer v. Monarch Life Ins. Co.*, 966 F.2d 786, 803 (3d Cir. 1992). They should not be allowed to play fast and loose with the courts by taking incompatible factual positions.

*Risetto v. Plumbers and Steamfitters Local 343*, 94 F.3d 597, 600-01 (9th Cir. 1996). The Board, in determining whether U.S. Bancorp satisfied its burden of proving invalidity, should not have disregarded U.S. Bancorp’s factual representation that it was utilizing a non-infringing alternative.

**D. The Board erred by failing to consider whether the ’582 patent means-plus-function machine claims pose a risk of pre-emption here.**

Finally, the Board failed to take into consideration that claims 13, 14, 30, and 31 of the ’582 patent are apparatus claims including “means-plus-function” limitations that U.S. Bancorp did not challenge as indefinite under 35 U.S.C. § 112, ¶ 6. Those claims, therefore, are machine—not process—claims under § 101. *See State St. Bank & Trust Co. v. Signature Fin. Grp., Inc.*, 149 F.3d 1368, 1371 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (citing *In re Alappat*, 33 F.3d 1526, 1540-41 (Fed. Cir. 1992) (en banc)) (“[M]achine’ claims having ‘means’ clauses may only be reasonably viewed as process claims if there is no supporting structure in the written description that corresponds to the claimed ‘means’ elements.”); *see also Bilski*, 561 U.S. at 641 n.40 (Stevens, J., concurring) (“But *State Street* . . . addressed only claims directed at machines, not processes”); *In re Bilski*, 545 F.3d 943, 959 n.18 (Fed. Cir. 2008), *aff’d but criticized sub nom. Bilski*, 561 U.S. 593 (emphasis in original) (“In *State Street*, as is often forgotten, we addressed a claim drawn not to a

process but to a *machine*.”). This Court has never held that a machine claim is ineligible for patenting under § 101; all of this Court’s § 101 decisions have involved statutory processes. Indeed, RCAMC is unaware of any decision in which a court has held that apparatus claims having non-indefinite, means-plus-function limitations are invalid under § 101. Even if the fact these claims are machines under § 101 does not necessarily mean they are eligible for patenting—which is an issue the Court has not addressed—it should not be completely disregarded in determining whether the ’582 patent poses a risk of pre-emption.

**E. The ’582 patent poses no risk of pre-emption and does not fall within the narrow scope of the abstract idea exclusion to patent eligibility.**

In short, the Board was presented with a patent including machine—not process—claims, for which there is no evidence an abstract concept was implicated and no evidence the limitations in the claims were merely directed to well-understood, routine, conventional activity previously engaged in by those in the field, and where the CBM petitioner factually represented there exist non-infringing alternatives. On this record, it is unsurprising that the Board gave no weight to the fact that the ’582 patent poses no risk of pre-emption as it could not have otherwise reached its erroneous conclusion.

This Court has warned that patent eligibility should not depend on the skill of the patent

draftsperson. The great irony is that by disregarding the grounding principle of pre-emption, the Board renders patent eligibility completely dependent on its drafting skill in characterizing the invention as some abstract idea—without any evidence—and arbitrarily selecting from its toolbox which limitations will be insignificant.

The Board should be required to respect and give full weight to the Supreme Court's treatment of pre-emption as the primary basis for the judicial exclusions to § 101, and it should be impermissible for the Board to invalidate claims under the abstract idea exclusion when it disregards the nonexistence of a risk of pre-emption. This is particularly so in the absence of record evidence to support its conclusions. *See Brand v. Miller*, 487 F.3d 862, 868-69 (“in the context of a contested case, it is impermissible for the Board to base its factual findings on its expertise, rather than on evidence in the record”) (citing *Baltimore & Ohio R.R. Co. v. Aberdeen & Rockfish R.R. Co.*, 393 U.S. 87, 91-92 (1968)).

### **III. THIS CASE IS AN IDEAL VEHICLE TO CORRECT MISAPPLICATION OF THE AIA IN CBM REVIEWS.**

This case raises an issue of first impression for the Court, and presents an ideal opportunity for a definitive determination whether § 101 is specified as a “condition for patentability” under § 282(b)(2). This issue is central to the proper functioning of the AIA, and indeed to the U.S. patent system as a whole.

Even if this Court concludes § 101 is a condition for patentability and therefore a proper basis for CBM review, this case raises an ideal opportunity to correct the clear errors in the Board's application of § 101. Contrary to the Board's position that the risk of preemption is only *one* test used to determine whether patent claims meet the abstract idea exception to patentability, the § 101 jurisprudence of this Court establishes that risk of preemption is the foundational threshold issue used to determine whether patent claims embody a patent ineligible abstract idea.

Delaying review of these legal issues would allow hundreds or even thousands of additional patent claims to be invalidated unlawfully by the Board. RCAMC respectfully submits that such circumstances warrant a grant of certiorari in this case.

Respectfully submitted,

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