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In the Supreme Court of the United States

RETIREMENT CAPITAL ACCESS MANAGEMENT
COMPANY LLC, PETITIONER

v.

U.S. BANCORP, ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

In 2011, in the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, Congress established a new post-grant review process that allows members of the public to challenge the validity of certain patents in administrative proceedings before the United States Patent and Trademark Office (PTO). The questions presented are as follows:

1. Whether the PTO in a post-grant review proceeding may entertain a challenge to the validity of a patent under 35 U.S.C. 101, which defines the subject matter eligible for patent protection and excludes abstract ideas.
2. Whether the court of appeals correctly upheld the PTO's cancellation of certain claims of U.S. Patent No. 6,625,582 on the ground that those claims are directed to an abstract idea ineligible for patent protection under 35 U.S.C. 101.

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OPINIONS BELOW

The judgment of the court of appeals (Pet. App. 3a-4a) is not published in the *Federal Reporter* but is reprinted at 611 Fed. Appx. 1007. The decision of the United States Patent and Trademark Office's Patent Trial and Appeal Board (Pet. App. 10a-34a) is available at 2014 WL 4229953.

JURISDICTION

The judgment of the court of appeals was entered on August 7, 2015. The petition for a writ of certiorari was filed on November 5, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, Congress substantially expanded the procedures through which the United States Patent and Trademark Office (PTO)

may reconsider the validity of previously issued patents. Those changes were designed to provide “a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents.” H.R. Rep. No. 98, 112th Cong., 1st Sess. 48 (2011) (House Report).

a. Among the AIA’s reforms is a new mechanism for challenging an issued patent, known as “post-grant review.” See 35 U.S.C. 321-329. A petition for post-grant review generally must be filed within nine months after a patent is issued. 35 U.S.C. 321(c). “Unlike reexamination proceedings” available under previous statutory schemes, “the post-grant review proceeding permits a challenge on any ground related to invalidity under [35 U.S.C.] 282,” the provision that identifies the defenses that are available in patent-infringement litigation. House Report 47-48. Thus, Section 321 provides that “[a] petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).” 35 U.S.C. 321(b).

Section 282(b)(2) provides that the defenses in infringement litigation include “[i]nvalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.” Part II of Title 35, in turn, addresses the “Patentability of Inventions” in Chapter 10. Within that chapter, three provisions set forth the requirements for patentability.

First, 35 U.S.C. 101 defines the subject matter 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.

This Court has long held that Section 101 and its predecessors exclude from patent eligibility “[l]aws of nature, natural phenomena, and abstract ideas.” *Alice Corp. Pty. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (citation omitted). Second, 35 U.S.C. 102 requires that the claimed invention be novel. Third, 35 U.S.C. 103 requires that the claimed invention be non-obvious.

b. In an uncodified provision of the AIA, Congress established a special “transitional post-grant review proceeding for review of the validity of covered business method patents.” § 18, 125 Stat. 329-331. A “covered business method patent” is “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological innovations.” *Id.* § 18(d), 125 Stat. 331.

The AIA provides that the special review procedure for covered business method patents is “regarded as, and shall employ the standards and procedures of, a post-grant review,” subject to specified exceptions. § 18(a)(1), 125 Stat. 329. *Inter alia*, the PTO may institute a post-grant review of a “covered business method patent” at any time during the term of the patent—*i.e.*, without regard to the nine-month deadline for ordinary post-grant review proceedings. *Id.* § 18(a)(1)(A), 125 Stat. 329. The AIA provides that the special review program for covered business

method patents expires after eight years. *Id.* § 18(a)(3), 125 Stat. 330.

Congress created the temporary program for review of covered business method patents to “respond[] to the problem” identified by “[a] number of patent observers [who] believe the issuance of poor business-method patents during the late 1990’s through the early 2000’s led to the patent ‘troll’ lawsuits that compelled the [House Judiciary] Committee to launch the patent reform project” that culminated in the AIA. House Report 54.

2. Petitioner owns U.S. Patent No. 6,625,582 (the ’582 patent), which discloses a method of converting future Social Security payments or other retirement benefits into immediately available funds. Pet. App. 12a. Respondent U.S. Bancorp filed a petition with the PTO requesting a review of six claims in the ’582 patent under the transitional post-grant review program for covered business method patents. *Id.* at 11a. The PTO granted the petition to institute review, concluding that U.S. Bancorp had demonstrated that it was more likely than not that the challenged claims were unpatentable under 35 U.S.C. 101 because they “claim[] only the abstract concept of providing funds based on the present value of future payments.” Pet. App. 35a-54a.

3. After a trial, the Patent Trial and Appeal Board (Board) issued a final decision invalidating the challenged claims. Pet. App. 10a-34a.

a. The Board first determined that ineligibility under Section 101 is a ground upon which a post-grant review can be maintained. Pet. App. 19a-21a. The Board explained that, under 35 U.S.C. 321(b), “any ground” that 35 U.S.C. 282(b)(2) or (3) identifies as a

valid defense in an infringement action “can be raised in a post-grant review.” Pet. App. 19a. The Board noted that 35 U.S.C. 282(b)(2) includes “any ground specified in part II [of Title 35] as a condition for patentability.” Pet. App. 19a. The Board further explained that, under longstanding precedents of this Court and the Federal Circuit, those “conditions of patentability” include the requirements of Section 101. *Id.* at 19a-20a (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966)).

The Board also emphasized that the AIA’s legislative history “makes it clear that Congress intended the [PTO] to consider challenges brought under [Section 101] in post-grant reviews.” Pet. App. 20a. The Board explained that the purpose of the covered business method review program “was to allow the [PTO] to revisit business method patents” in light of this Court’s decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), which had rejected a business method patent as invalid under Section 101. Pet. App. 20a-21a; see *Bilski*, 561 U.S. at 612-613.

b. The Board held that the challenged claims of the ’582 patent are invalid under Section 101 because they “recite nothing more than abstract concepts that constitute non-patentable subject matter.” Pet. App. 32a; see *id.* at 21a-32a.

3. The court of appeals affirmed the Board’s decision in a judgment issued without an opinion pursuant to Federal Circuit Rule 36. Pet. App. 3a-4a.

ARGUMENT

As both the court below and the PTO correctly determined, the fundamental requirement that a patent must be directed to patent-eligible subject matter, 35 U.S.C. 101, is a “condition for patentability” within the

meaning of 35 U.S.C. 282(b)(2). That conclusion is consistent with the longstanding precedent of this Court and the Federal Circuit, and with the design and history of the patent statutes. The court of appeals' unpublished judgment also correctly upheld the PTO's conclusion that the relevant claims of the '582 patent are directed to an unpatentable abstract idea. Petitioner's contrary arguments are factbound and without merit. Further review is not warranted.

1. The court of appeals correctly upheld the PTO's determination that the patentability of a claimed invention under 35 U.S.C. 101 may be challenged in a post-grant review proceeding.

a. The Patent Act provides that a post-grant review may "cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)." 35 U.S.C. 321(b). Section 282(b)(2) states that the available defenses in an infringement action include "[i]nvalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability." Part II of Title 35, in turn, addresses the "Patentability of Inventions" in Chapter 10. Within that chapter, Section 101 defines the subject matter eligible for patent protection, Section 102 requires that the claimed invention be novel, and Section 103 requires that the claimed invention be non-obvious. 35 U.S.C. 101-103.

This Court observed 50 years ago that all three of those provisions define "the conditions of patentability." *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966) ("The Act sets out the conditions of patentability in three sections," 35 U.S.C. 101, 102, and 103.). Accordingly, all three provisions have "long been under-

stood” to “set[] out the conditions for patentability” within the meaning of Section 282(b)(2). *Aristocrat Techs. Australia PTY Ltd. v. International Game Techs.*, 543 F.3d 657, 661 (Fed. Cir. 2008) (*Aristocrat Techs.*), cert. denied, 557 U.S. 904 (2009); see *id.* at 661 n.3 (“[I]t is beyond question that [S]ection 101’s other requirement [besides utility], that the invention be directed to patentable subject matter, is also a condition for patentability.”).

If Section 282(b)(2) did not encompass Section 101’s requirements as “condition[s] for patentability,” a party accused of patent infringement could not assert as a defense that the claimed invention was ineligible for patent protection under Section 101. Yet invalidity defenses under Section 101 are routinely asserted and adjudicated in infringement litigation. See *Versata Dev. Grp. v. SAP Am., Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015) (“Section 101 validity challenges * * * appear in case after case.”). Indeed, most of this Court’s recent decisions interpreting Section 101 have been issued in disputes between private parties, in which patent-ineligibility under Section 101 was asserted either as a defense to infringement under 35 U.S.C. 282(b)(2) or as a ground for a declaratory judgment of invalidity. See *Alice Corp. Pty. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2353 (2014); *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2114 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1295-1296 (2012).

The availability of an ineligible-subject-matter defense in infringement proceedings was already well-established when Congress enacted 35 U.S.C. 282(b)(2) in 1952. See Patent Act of 1952, ch. 950,

§ 282(b)(2), 66 Stat. 812. By that time, this Court had long held that an accused infringer could defend on the ground that the patent was invalid because it claimed a “manifestation[] of laws of nature” rather than a patentable invention. *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948); see, e.g., *Le Roy v. Tatham*, 55 U.S. 156, 175 (1852).

There is no indication that Congress sought to alter that established law when it enacted Section 282(b)(2). To the contrary, the legislative history of the Patent Act of 1952 confirms that Section 282’s listing of the defenses to an infringement action did not “materially chang[e] the substance” of existing law. H.R. Rep. No. 1928, 82d Cong., 2d Sess. 10 (1952); see S. Rep. No. 1979, 82d Cong., 2d Sess. 9 (1952) (same). And petitioner has cited no case, either before or after 1952, in which any court has refused to consider an ineligible-subject-matter defense to infringement liability.

b. The structure of the Patent Act reinforces the conclusion that the defenses to infringement liability that are available under Section 282(b)(2), and the grounds of invalidity that may be asserted in post-grant review proceedings, include Section 101 challenges. The AIA and prior amendments to the Patent Act contain several provisions that address validity challenges under Sections 102 and 103, but not challenges under Section 101. For example, 35 U.S.C. 311(b) authorizes a petition for inter partes review to “request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under [S]ection 102 or 103.”¹ Those provisions demonstrate

¹ See 35 U.S.C. 273(g) (“A patent shall not be deemed invalid under [S]ection 102 or 103 solely because a defense [based on prior

that, when Congress intends to address Sections 102 and 103 alone, it does so by referring to those provisions specifically—not by a more general reference to the “condition[s] for patentability.” Congress’s use of a broader formulation in Section 282(b)(2), and its incorporation of that broader formulation into the AIA provision that governs post-grant review, confirm that the grounds of invalidity that can be raised in infringement litigation and post-grant review proceedings include the requirements of Section 101 as well as those of Sections 102 and 103.

The AIA’s legislative history, moreover, leaves no doubt that Congress intended post-grant review proceedings to encompass challenges under Section 101. For example, the House Report noted that reexamination proceedings do not allow the challenger to “raise any challenge based on [Section] 101,” and it contrasted that “limited” review with the new post-grant review procedure, which would “permit[] a challenge on any ground related to invalidity under [S]ection 282.” House Report 45-48.

The legislative history also makes clear that the special post-grant review procedure for business method patents would not serve its intended purpose if the PTO was foreclosed from considering Section 101 challenges. The “Summary of the Manager’s Amendment” that added Section 18 of the AIA explained that the “business-methods proceeding” was a response to this Court’s decision in *Bilski*, which lim-

commercial use] is raised or established.”); AIA § 14(a), 125 Stat. 327 (addressing the evaluation of certain claimed inventions related to reducing tax liability “under [S]ection 102 or 103”); *id.* § 18(a)(1)(C), 125 Stat. 330 (specifying conditions on challenges to validity “on a ground raised under [S]ection 102 or 103”).

ited “the patenting of business methods” because “these ‘inventions’ are too abstract to be patentable” under Section 101. 157 Cong. Rec. 3420 (Mar. 8, 2011). The temporary post-grant review procedure for covered business method patents was designed to provide “a relatively cheap alternative to civil litigation” for challenging patents that “are no longer valid” under Section 101 as interpreted in *Bilski*. *Ibid.*; see Pet. App. 20a-21a. The post-grant review procedure could not perform that function unless it allowed the PTO to consider Section 101 challenges.

c. In arguing that Section 282(b)(2) excludes challenges to patent eligibility under Section 101, petitioner principally relies (Pet. 8-9) on the titles of Section 102 and 103, which describe novelty and non-obviousness as “[c]onditions for patentability.” But it does not follow that those are the *only* conditions for patentability. The title of Section 101, “Inventions patentable,” likewise indicates that the requirements of that section are “fundamental preconditions for obtaining a patent.” *Aristocrat Techs.*, 543 F.3d at 661.

In any event, “the title of a statute * * * cannot limit the plain meaning of the text.” *Pennsylvania Dep’t of Corrs. v. Yeskey*, 524 U.S. 206, 212 (1998). The text of Section 101 imposes a “threshold test” for patentability, *Bilski*, 561 U.S. at 594, that qualifies as a “condition” within the plain meaning of that term. See 3 *Oxford English Dictionary* 683 (2d ed. 1989) (“Something demanded or required as a prerequisite to the granting or performance of something else.”); *Webster’s Third New International Dictionary* 473 (1993) (“[A] circumstance that is essential to the appearance or occurrence of something else: prerequi-

site.”). Accordingly, as the Federal Circuit has explained in rejecting versions of the argument that petitioner presses here, Section 101’s requirements qualify as “conditions for patentability” under Section 282(b)(2) even though the word “condition” does not appear in Section 101’s title. See *Versata Dev. Grp.*, 793 F.3d at 1330; *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1330 n.3 (Fed. Cir. 2012).

Petitioner is equally mistaken in contending (Pet. 9-10) that Section 101 cannot impose a condition for patentability because it specifies that eligible inventions may be patented “subject to the conditions and requirements” of Title 35. As petitioner concedes (Pet. 9), Section 101 sets out “the subject matter that can be patented.” It thereby establishes one essential condition for patentability. The fact that Section 101 refers to *other* “conditions and requirements” does not alter that conclusion.²

² Contrary to petitioner’s assertion (Pet. 10), the PTO has not stated that Section 101 challenges fall outside Section 282(b)(2) or that they are unavailable in post-grant review proceedings. Petitioner relies on a brief answer in a “Frequently Asked Questions” document posted on the PTO’s website, which did not include Section 101 in a list of grounds that can be raised in a post-grant review proceeding. See Pet. App. 213a. But that one-sentence answer did not purport to be exhaustive. And in more formal guidance, the PTO has consistently explained that the “grounds available for post-grant review include 35 U.S.C. 101.” 77 Fed. Reg. 48,684 (Aug. 14, 2012) (emphasis added); see, e.g., *id.* at 48,764 (the PTO’s Official Practice Guide recognizes that a “petition for post-grant review” may “raise[] 35 U.S.C. 101 grounds”); see also David Kappos, *PTAB and Patentability Challenges* (Sep. 24, 2012), http://www.uspto.gov/blog/director/entry/ptab_and_patentability_challenges (explaining the PTO’s conclusion that the Board “should consider patentability challenges

2. Petitioner contends (Pet. 19-29) that, even if the Board is permitted to consider Section 101 challenges in post-grant review proceedings, the court of appeals erred in affirming the Board's cancellation of the claims of the '582 patent as directed to a patent-ineligible abstract idea. That contention is factbound and without merit, and the court of appeals' unpublished summary affirmance does not warrant this Court's review.

a. This Court has "set forth a framework 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.*, 134 S. Ct. at 2355. To determine whether an invention is patent-eligible under Section 101, a court must "determine whether the claims at issue are directed to one of those patent-ineligible concepts." *Ibid.* If so, the court must consider "the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application." *Ibid.* (citation and internal quotation marks omitted). A claim must incorporate enough meaningful limitations to ensure that the claimed invention amounts to "significantly more" than the abstract idea itself. *Ibid.* (citation omitted).

"[W]holly generic computer implementation" of an abstract idea, or other "routine" and "conventional" activities, are not sufficient to render an invention patentable under that analytic framework. *Alice Corp.*, 134 S. Ct. at 2358-2359. In *Alice Corp.*, for example, the Court held that computer-implemented

brought under [Section] 101 in post-grant and covered business method reviews").

methods and systems for mitigating financial settlement risk were ineligible for patent protection under Section 101. *Id.* at 2357, 2360. The Court concluded that the claims sought to cover “fundamental economic practice[s]” and other “method[s] of organizing human activity” and were thus “squarely within the realm of ‘abstract ideas.’” *Id.* at 2356-2357; see, *e.g.*, *Bilski*, 561 U.S. at 611-612 (concluding that the claimed method of hedging weather-related risk in energy markets was an unpatentable abstract idea).

b. The Board correctly applied those precedents in finding the challenged claims of the '582 patent invalid. Pet. App. 21a-33a. Those claims involve financial methods and systems for advancing funds based on the present value of future retirement benefits. *Id.* at 12a. Like the methods at issue in *Alice Corp.* and *Bilski*, those methods and systems are unpatentable because they amount to nothing more than a “method of organizing human activity” and a “fundamental economic practice.” *Alice Corp.*, 134 S. Ct. at 2356.

The Board also correctly determined that the limitations of the challenged claims did not meaningfully differentiate the claimed invention from the abstract idea itself. Pet. App. 24a-29a. Other than advancing the present value of future payments, the claims involve only setting up bank accounts with automatic transfers and deposits; making the automatic deposits and transfers; and doing so without violating applicable laws. See *id.* at 102a-103a. As the Board explained, those are all routine and conventional aspects of banking and finance. *Id.* at 25a.

Nor do the claims at issue involve anything other than purely conventional applications of computers or other technology. Petitioner does not contend that its

invention improves the functioning of the computer itself or of any other technology or technical field. See *Alice Corp.*, 134 S. Ct. at 2359. Any computerized functions in the challenged claims are similar to the functions this Court found insufficient to confer patent-eligibility in *Alice Corp.*, such as “electronic recordkeeping,” “obtain[ing] data,” “adjust[ing] account balances,” and “issu[ing] automated instructions.” *Ibid.*

c. The court of appeals deemed the Board’s application of *Alice Corp.* and this Court’s other Section 101 precedents sufficiently uncontroversial to warrant summary affirmance without an opinion. Pet. App. 3a-4a. Petitioner’s challenges to the Board’s decision lack merit, and petitioner identifies no sound reason for this Court to review the court of appeals’ unpublished, nonprecedential judgment.

Petitioner principally contends (Pet. 21, 28-29) that the Board misapplied this Court’s precedents by finding the claims at issue to be invalid even though (according to petitioner) there is no risk that the patent will preempt the public’s access to the underlying abstract idea. But the Board did not conclude that the ’582 patent claims pose no risk of preemption. Rather, it rejected petitioner’s argument that the possible existence of “non-infringing alternatives” using the same abstract idea necessarily defeats an invalidity challenge under Section 101. Pet. App. 31a-32a.

That conclusion is fully consistent with this Court’s precedents, which make clear that a patent need not preempt *all* potential uses of an abstract idea in order to be invalid. In *Bilski*, for example, the Court invalidated not only a claim that would have preempted the basic concept of hedging against risk in energy mar-

kets, but also a claim that recited a specific mathematical formula. 561 U.S. 599, 612. The Court reiterated that “the prohibition against patenting abstract ideas cannot be circumvented by attempting to limit the use of the idea to a particular technological environment.” *Id.* at 610-611 (internal quotation marks omitted). The potential existence of non-infringing uses of the abstract idea embodied in the ’582 patent claims therefore does not save the claims from invalidation under Section 101.

Petitioner also appears to suggest (Pet. 22-25) that the Board could not properly determine the validity of the ’582 patent without considering extrinsic evidence. But examining a patent’s language to determine whether it is drawn to an abstract idea—and then determining whether that language includes sufficient limitations to render the claims patent-eligible—is precisely the method of analysis this Court has undertaken. See *Alice Corp.*, 134 S. Ct. at 2359-2360; *Bilski*, 561 U.S. at 611-612. In this case, as the Board observed, “[n]either the claims nor the specification provide complex technological implementations or modifications of [the] technologies” recited, and “extrinsic or expert evidence may not be required for simple or easily understandable limitations” like those in the ’582 patent. Pet. App. 30a-31a. During the administrative proceedings, moreover, petitioner conceded that the relevant claims are directed to the abstract concept of “advancing funds based on future retirement payments.” *Id.* at 24a. The Board properly viewed that concession as obviating any need to marshal additional support for the proposition that turning future income into present income is a basic and abstract economic principle.

Finally, contrary to petitioner’s assertion (Pet. 27-28), claims 13, 14, 30, and 31 of the ’582 patent are not insulated from the abstract-ideas exception simply because they are “machine” claims. As the Board explained, those claims describe systems directed to the same abstract idea as the other challenged claims, without any additional meaningful limitations. Pet. App. 29a. This Court’s decision in *Alice Corp.* specifically rejected the contention that an abstract idea may be rendered patent-eligible merely by recharacterizing the claimed invention as a generic machine or apparatus for exploiting the idea. See 134 S. Ct. at 2360 (explaining that the system claims there recited “a handful of generic computer components configured to implement the same [abstract] idea” as the method claims). Here too, as the Board found, any computer limitations in the claims at issue—such as using an electronic funds transfer system—are generic. Pet. App. 29a.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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