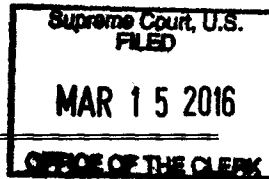


No. 15-591



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

— ♦ —  
**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**

— ♦ —  
**REPLY BRIEF OF PETITIONER**  
— ♦ —

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*Dated: March 15, 2016*

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## REPLY IN SUPPORT OF PETITION

U.S. Bancorp and the Patent Office's responses read like merits briefs. Neither dispute the extreme importance of the questions presented to the proper functioning of the America Invents Act (AIA) and the U.S. patent system as a whole, and only U.S. Bancorp disputes, albeit incorrectly, that this case is an ideal vehicle for resolving them. Instead of focusing on this Court's traditional certiorari criteria, both Respondents defend at length the results below. This is telling. Their arguments on the merits, which deserve a full rebuttal on the next round of briefing, certainly do not call for denial of further review in a case of such exceptional importance to the rights of patent owners. Certiorari should be granted.

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

#### A. *This Court's Prompt Review is Needed to Resolve an Issue of Great National Importance*

Neither U.S. Bancorp nor the Patent Office dispute the great importance of whether 35 U.S.C. § 101 is a ground specified as a condition for patentability under 35 U.S.C. § 282(b)(2). The Patent Office does not even dispute this case is the proper vehicle for deciding the issue. U.S. Bancorp, on the other hand, contends Petitioner Retirement Capital Access Management Company, LLC's (RCAMC) petition is not the best vehicle for

resolving this issue for three reasons—they all miss the mark.

U.S. Bancorp argues the Federal Circuit's decisions in *Versata Dev. Group, Inc. v. Lee*, 793 F.3d 1352 (Fed. Cir. 2015), and *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), are better vehicles to resolve the question presented; however, Versata did not petition for writ of certiorari in the former case, and it did not seek review of this jurisdictional issue in its March 11, 2016 petition filed in the latter case. U.S. Bancorp argues the denials of Versata's petitions for hearing and rehearing en banc means one must presume the Federal Circuit unanimously holds the opinion that § 101 is a proper basis for Covered Business Method (CBM) review, but of course, because one Federal Circuit panel has already decided this issue, all future panels are already bound, *CCA Assocs. v. United States*, 667 F.3d 1239, 1244 (Fed. Cir. 2011), which also explains the Federal Circuit's summary affirmance below. And lastly, U.S. Bancorp contends this case is not the proper vehicle for the Court's review because the patent in suit would be found invalid under § 101 anyway (which RCAMC strongly disputes), but the validity of the patent in suit has no bearing on whether the Patent Trial and Appeal Board (Board) had jurisdiction to hear that issue in the first place.

The critical importance of the question presented to the operation of the AIA, the U.S. patent system as a whole, and even the U.S. economy is highlighted by the Board's treatment of patent-eligibility challenges under § 101. To date,

every § 101 challenge on CBM review that has reached a final decision by the Board has been granted, and there is no indication this routine practice has an end in sight. Indeed, in only the few months since RCAMC's amici filed their support, the Board has issued seven more final decisions invalidating patent claims under § 101. And seven more CBM reviews have been instituted on § 101 grounds. Meaning, if, as RCAMC contends, the Board is exceeding the scope of its statutory authority in deciding these patent-eligibility challenges under § 101, then as each day passes more and more patent owners will be unlawfully stripped of their property rights. See *Fla. Prepaid Postsec. Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999) (“Patents . . . have long been considered a species of property”).

Thus this seemingly automatic process, which the Federal Circuit has endorsed and deemed a “major industry”, *Versata*, 793 F.3d at 1330, has significant and immediate consequences—consequences that should not come to pass without this Court’s review. Plainly put, the Board is drifting outside the lanes painted by Congress in the AIA and this Court’s intervention is required to steer it back.

***B. The AIA Does Not Authorize the Board to Hear § 101 Challenges***

Even a cursory reading of Respondents’ briefs shows they do not contend § 101 is specified in the Patent Act as a condition for patentability, despite the fact that only those sections of the Patent Act so

specified support CBM review. And while space does not permit a full rebuttal on the merits (that is the purpose of the next round of briefing) Respondents' other most obvious mistakes warrant mention.

To begin with, Respondents oppose the petition on the basis that the titles of §§ 101, 102, and 103 are not relevant. To be sure, the Court has long held that the title of a statute may not be used to *limit* the plain meaning of statutory text. *E.g.*, *Penn. Dep't of Corrs. v. Yeskey*, 524 U.S. 206, 212 (1998). But that common sense principle has no place here. The provision relied upon by RCAMC explicitly instructs that a party may only seek CBM review on any ground “specified in part II as a condition for patentability”, and only two sections in part II *out of over sixty* have the express title “conditions for patentability”—§§ 102 and 103. Thus the respective titles of §§ 101, 102, and 103 strongly show § 101 is not “specified” in the Patent Act “as a condition for patentability.” *See Fla. Dep't of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 47 (2008) (statutory titles and section headings are tools available for the resolution of a doubt about the meaning of a statute); *see also Lawson v. FMR LLC*, 134 S. Ct. 1158, 1180 (2014) (“where the captions favor one interpretation so decisively, their significance should not be dismissed so quickly”) (Sotomayor, J., dissenting).

Given the relevant provisions of the Patent Act are unambiguous, Respondents' resort to legislative history is beside the point and erroneous. *Milavetz, Gallop & Milavetz, P.A. v. United States*, 559 U.S. 229, 236 n.3 (2010) (“reliance on legislative

history is unnecessary in light of the statute's unambiguous language"); *Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432, 438 (1999) ("where the statutory language provides a clear answer, it ends there as well"). The Patent Act should be enforced as written. See *Burrage v. United States*, 134 S. Ct. 881, 892 (2014). But in any event, the cited legislative history does not support disregarding RCAMC's interpretation of the statutory text. For example, it was long ago established that statements or comments of individual Senators cannot justify ignoring the statutory text. *Duplex Printing Press Co. v. Deering*, 254 U.S. 443, 474 (1921) ("By repeated decisions of this court it has come to be well established that the debates in Congress expressive of the views and motives of individual members are not a safe guide, and hence may not be resorted to, in ascertaining the meaning and purpose of the law-making body"). And the portion of the AIA's legislative history the Patent Office claims "leave[s] no doubt" that Congress intended CBM proceedings to encompass challenges under § 101 would require substitution of the explicit phrase "specified . . . as a condition for patentability" with "related to invalidity under Section 282".<sup>1</sup> Again, the Patent Act should be enforced as written.

Also, AIA legislative history noted in RCAMC's petition contradicts the Patent Office's argument Congress intended CBM proceedings to

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<sup>1</sup> (Patent Office Br. 9) ("the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282") (quoting H.R. Rep. No. 98, 112th Cong., 1st Sess. 47 (2011)).

include § 101 challenges. Again, an earlier version of what later became the AIA expressly identified § 101 as a basis for CBM review. (RCAMC Br. 11-12). Thus, Respondents' proposed statutory construction violates the general rule against assuming Congress intended to enact statutory language that it has earlier discarded. See *Chickasaw Nation v. United States*, 534 U.S. 84, 93 (2001).

More importantly, even if it were appropriate to consider legislative history, Respondents have pointed to the wrong legislative history. In 2011, Congress enacted the AIA and included provisions dictating that a petitioner in a CBM 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)." But paragraph (2) of § 282(b)<sup>2</sup> was enacted in 1952. Thus, AIA legislative history from 2011 is irrelevant to show whether § 101 is specified as a condition for patentability.<sup>3</sup> See *Castillo v. United States*, 530

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<sup>2</sup> The provision stating "specified" "as a condition for patentability".

<sup>3</sup> And, as noted in RCAMC's petition, the legislative history of the 1952 Patent Act actually supports RCAMC's position. *E.g.*, *Diamond v. Diehr*, 450 U.S. 175, 190 (1982) ("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.") (quoting S. Rep. 1979, 82d Cong., 2d Sess., 5 (1952) U.S. Code Cong. & Admin. News, 1952, p. 2399). To be clear, RCAMC is not using titles in the 1952 Patent Act to interpret the AIA. Rather, because the AIA

U.S. 120, 125 (2000) (“Nor can a new postenactment statutory restructuring help us here to determine what Congress intended at the time it enacted the earlier statutory provision that governs this case”); *Almendarez-Torres v. United States*, 523 U.S. 224, 237 (1998) (“These later enacted laws, however, are beside the point. \* \* \* They do not reflect any direct focus by Congress upon the meaning of the earlier enacted provisions.”).

U.S. Bancorp’s contention the petition should be denied because the patent in suit would be found invalid in district court anyway is nonsensical. In every appeal of a Board decision invalidating patent claims under § 101 the prevailing party will quite obviously make the same argument, which, if accepted, would forever preclude this Court’s review. Additionally, U.S. Bancorp overlooks the fact that in district court—unlike proceedings before the Board—the patent in suit is entitled to a presumption of validity that must be overcome by clear and convincing evidence. *E.g.*, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928-29 (2015). It also overlooks the fact that a more favorable claim construction is mandated in district court. *E.g.*, *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13, 1327 (Fed. Cir. 2005) (en banc) (applying ordinary and customary meaning of claim terms and

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contains specific references back to the 1952 Patent Act, the meaning of provisions in the 1952 Patent Act do pertain to the AIA’s scope.

acknowledging that claims should be construed to preserve their validity).<sup>4</sup>

Finally, Respondents point to dicta in, for example, *Graham v. John Deere Co. of Kansas City*, 383 U.S. 12 (1966), in support of their argument § 101 should be treated as a condition for patentability. But U.S. Bancorp also clearly admits it is “true that no opinion of the Court has explicitly stated that § 101 is a condition for patentability as specified in part II of Title 35 . . .” (U.S. Bancorp Br. 18-19). Little more need be said. *See, e.g., BE & K Const. Co. v. N.L.R.B.*, 536 U.S. 516, 528 (2002) (acknowledging the Court’s “customary refusal to be bound by dicta”).

## II. THE ALICE/MAYO FRAMEWORK DOES NOT MOOT PREEMPTION.

The Supreme Court has long recognized that the proper test for determining patent eligibility is whether the claimed subject matter falls within one of the four statutory classes and does not preempt what this Court has called a “fundamental principle” (*i.e.*, abstract idea, natural phenomena or law of nature). *See Diamond v. Diehr*, 450 U.S. 175, 185 (1981) (citing *Parker v. Flook*, 437 U.S. 584 (1978)); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

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<sup>4</sup> In Board proceedings, the presumption of validity pursuant to 35 U.S.C. § 282(a) is inapplicable. And, a broadest reasonable interpretation standard is used to construe patent claims. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278 (Fed. Cir. 2015). The Court has granted Cuozzo Speed Technologies, LLC’s petition for writ of certiorari on the issue of the proper claim construction to use in AIA proceedings. 136 S. Ct. 890.



Neither *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), nor *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012), changed this test. While *Alice* and *Mayo* presented a two-part “framework” for evaluating whether a particular claimed invention preempts a “fundamental principle,” neither case purported to have that framework replace a preemption inquiry nor did they authorize a court to ignore the ultimate question—*i.e.*, does the claim preempt a fundamental principle instead of merely claim a practical application of such a principle? Yet, the Board erroneously failed to consider preemption, stating, “pre-emption is only one test to determine whether a claim is directed to an abstract idea.” (App. 32a).

Likewise, Respondents fail to consider preemption. U.S. Bancorp does not address the preemption issue at all, and the Patent Office contends the Board’s failure to consider preemption is factbound and inappropriate for review. But RCAMC quite clearly is not asking this Court to reevaluate the Board’s factual findings.

It is simply undisputed claims of the patent in suit include non-indefinite means-plus-function limitations making them statutory machine claims. It is undisputed there was no evidence to support the conclusion an abstract concept was implicated by the claims of the patent in suit. It is undisputed that practical non-infringing alternatives exist. And lastly, it is undisputed there was no evidence any limitations on the alleged abstract concept were routine and conventional; in fact, U.S. Bancorp and

the Board totally failed to even acknowledge the presence of important claim limitations. The Board tellingly chose to disregard these undisputed facts.<sup>5</sup>

The Patent Office would, and does, dissect each of these undisputed facts from the others, rather than evaluate them as a well-considered whole. In short, this petition does not present an instance of a patent owner contending claims are directed to eligible subject matter because one clue, such as the existence of non-infringing alternatives, mandates setting aside the lower tribunal's finding. Here, the Board ignored numerous clues that courts have previously identified to establish the claims of the patent in suit do not preempt a fundamental principle.

The Board and the Federal Circuit express that the Court's framework described in *Alice* and *Mayo* "guides" their analysis. *E.g.*, *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1346 (Fed. Cir. 2014) cert. denied, 136 S. Ct. 119 (2015). What has become apparent is they erroneously believe application of that framework renders consideration of preemption completely unnecessary. In *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), for example, the Federal Circuit acknowledged "[t]he Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability," but

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<sup>5</sup> Even Circuit Judge O'Malley acknowledged below, "It seems the Board just kind of blew past those facts." (Oral Argument at 20:35).

nevertheless stated, “Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework . . . preemption concerns are fully addressed and made moot.” This was clear error, and the same error made by the Board in this case.

This is the right case to address this fundamental error because it is unchallenged there is no preemption present here.

### CONCLUSION

For the foregoing reasons and those stated in the petition, the petition for a writ for certiorari should be granted.

Respectfully submitted,

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