

MAR - 1 2016

OFFICE OF THE CLERK

IN THE
Supreme Court of the United States

RETIREMENT CAPITAL ACCESS MANAGEMENT
COMPANY LLC,

Petitioner,

v.

U.S. BANCORP, *et al.*,

Respondents.

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

**BRIEF IN OPPOSITION
FOR RESPONDENT U.S. BANCORP**

ANTHONY H. SON
Counsel of Record
MATTHEW J. DOWD
ANDREWS KURTH LLP
1350 I Street, NW
Washington, D.C. 20005
(202) 662-2700
anthonyson@andrewskurth.com

Counsel for Respondent U.S. Bancorp

March 1, 2016

262994



COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

BLANK PAGE

QUESTIONS PRESENTED

1. Whether patent eligibility under 35 U.S.C. § 101 is an authorized basis for revoking a patent in a covered business method review under the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112–29, 125 Stat. 284 (2011).

2. Whether the Federal Circuit correctly held that the claims of the asserted patent, directed to a method and system “for a [beneficiary] of Social Security payments, or of other retirement payments, to access present value of a designated portion of its future retirement payments . . . without encumbering the beneficiary’s rights to its future retirement benefits,” were ineligible, and thus properly cancelled, under 35 U.S.C. § 101.

PARTIES TO THE PROCEEDING

Respondents are U.S. Bancorp and Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office, the latter of whom intervened at the Federal Circuit. Petitioner is Retirement Capital Access Management Company, LLC.

CORPORATE DISCLOSURE STATEMENT

U.S. Bancorp has no parent corporation, and no publicly held company owns ten percent or more of its stock.

TABLE OF CONTENTS

	<i>Page</i>
QUESTIONS PRESENTED	i
PARTIES TO THE PROCEEDING	ii
CORPORATE DISCLOSURE STATEMENT	iii
TABLE OF CONTENTS.	iv
TABLE OF CITED AUTHORITIES	vi
BRIEF IN OPPOSITION	1
OPINIONS BELOW.....	1
JURISDICTION	1
STATEMENT.....	1
I. The '582 Patent	1
II. The AIA Establishes CBM Review	3
III. In The CBM Review, The PTO Cancels The Asserted Claims Of The '582 Patent	4
ARGUMENT.....	6
I. This Case Is Not The Right Vehicle To Consider The Issues Presented In The Petition	6

Table of Contents

	<i>Page</i>
A. The Appeals Court Disposed of the Issue in a Summary Affirmance of the Board's Decision	6
B. The Patent at Issue is Plainly Ineligible Under Settled § 101 Precedent	8
II. The Federal Circuit's Uniform Interpretation Of The America Invents Act Is Correct.....	15
A. There is No Split in Authority that Requires This Court's Intervention	15
B. On the Merits, the Federal Circuit's Ruling in <i>Versata</i> Is Correct	17
CONCLUSION	24

TABLE OF CITED AUTHORITIES

	<i>Page</i>
CASES	
<i>Alice Corp. Pty. Ltd. v. CLS Bank International</i> , 134 S. Ct. 2347 (2014).....	<i>passim</i>
<i>Aristocrat Technologies Australia Pty Ltd. v.</i> <i>International Game Technology</i> , 543 F.3d 657 (Fed. Cir. 2008)	19
<i>Ashwander v. TVA</i> , 297 U.S. 288 (1936).....	7
<i>Bancorp Services, L.L.C. v.</i> <i>Sun Life Assurance Co. of Canada</i> , 687 F.3d 1266 (Fed. Cir. 2012)	13
<i>Bilski v. Kappos</i> , 561 U.S. 593 (2010).....	<i>passim</i>
<i>Brotherhood of Railroad Trainmen v.</i> <i>Baltimore & Ohio Railroad</i> , 331 U.S. 519 (1947)	18
<i>Chevron U.S.A., Inc. v.</i> <i>Natural Resources Defense Council, Inc.</i> , 467 U.S. 837 (1984).....	23, 24
<i>City of Arlington v. FCC</i> , 133 S. Ct. 1863 (2013).....	24

Cited Authorities

	<i>Page</i>
<i>Commodity Futures Trading Commission v. Schor</i> , 478 U.S. 833 (1986)	8
<i>Cooper Technologies Co. v. Dudas</i> , 536 F.3d 1330 (Fed. Cir. 2008)	23
<i>CyberSource Corp. v. Retail Decisions, Inc.</i> , 654 F.3d 1366 (Fed. Cir. 2011)	13
<i>Dealertrack v. Huber</i> , 674 F.3d 1315 (Fed. Cir. 2012)	13, 19
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981)	8-9
<i>Fort Properties, Inc. v. American Master Lease LLC</i> , 671 F.3d 1317 (Fed. Cir. 2012)	13
<i>Gottschalk v. Benson</i> , 409 U.S. 63 (1972)	8
<i>Graham v. John Deere Co. of Kansas City</i> , 383 U.S. 1 (1966)	18
<i>In re Comiskey</i> , 554 F.3d 967 (Fed. Cir. 2009)	19

Cited Authorities

	<i>Page</i>
<i>In re Schrader</i> , 22 F.3d 290 (Fed. Cir. 1994)	14
<i>Intel Corp. v. Advanced Micro Devices, Inc.</i> , 542 U.S. 241 (2004)	18
<i>Intellectual Ventures I LLC v. Capital One Bank</i> (USA), National Association, 792 F.3d 1363 (Fed. Cir. 2015)	14
<i>Internet Patents Corp. v. Active Network, Inc.</i> , 790 F.3d 1343 (Fed. Cir. 2015)	14
<i>Lorillard v. Pons</i> , 434 U.S. 575 (1978)	20
<i>Mayo Collaborative Services v.</i> <i>Prometheus Laboratories, Inc.</i> , 132 S. Ct. 1289 (2012)	2, 9, 10, 12
<i>Merrill Lynch, Pierce , Fenner & Smith v.</i> <i>Curran</i> , 456 U.S. 353 (1982)	20
<i>MySpace, Inc. v. GraphOn Corp.</i> , 672 F.3d 1250 (Fed. Cir. 2012)	19
<i>OIP Technologies, Inc. v. Amazon.com, Inc.</i> , 788 F.3d 1359 (Fed. Cir. 2015)	14

Cited Authorities

	<i>Page</i>
<i>Parker v. Flook</i> , 437 U.S. 584 (1978).....	8, 9, 12, 19
<i>Research Corp. Technologies, Inc. v.</i> <i>Microsoft Corp.</i> , 627 F.3d 859 (Fed. Cir. 2010)	14
<i>SiRF Technology, Inc. v.</i> <i>International Trade Commission</i> , 601 F.3d 1319 (Fed. Cir. 2010).....	14
<i>Skidmore v. Swift & Co.</i> , 323 U.S. 134 (1944).....	23
<i>Versata Development Group, Inc. v. Lee</i> , 793 F.3d 1352 (Fed. Cir. 2015)	7, 8, 16, 23
<i>Versata Development Group, Inc. v.</i> <i>SAP America, Inc.</i> , 793 F.3d 1306 (Fed. Cir. 2015)	7, 8, 16, 23

STATUTES

28 U.S.C. § 1254(1).....	1
28 U.S.C. § 1295(a)(4)	1
35 U.S.C. § 101	<i>passim</i>
35 U.S.C. § 102.....	17

Cited Authorities

	<i>Page</i>
35 U.S.C. § 103	17
35 U.S.C. § 112	17
35 U.S.C. § 282(b)(2)	17
35 U.S.C. § 282(b)(3)	17
35 U.S.C. § 311(b)	18
35 U.S.C. § 321	17
35 U.S.C. § 326(a)(11)	4
Federal Circuit Rule 36	6, 16
Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112–29, 125 Stat. 284 (2011)	3
AIA § 6	3
AIA § 6(d)	3, 17
AIA § 18	3, 17
AIA § 18(b)	4
FEDERAL REGULATIONS	
37 C.F.R. § 42.200(c) (2013)	4

Cited Authorities

	<i>Page</i>
37 C.F.R. § 42.207 (2013)	5

OTHER SOURCES

157 Cong. Rec. H4480-H4505 (daily ed. June 23, 2011)	17
157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011)	17
157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011)	3, 4
157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011)	3
157 Cong. Rec. S1367 (daily ed. Mar. 8, 2011)	20
157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011)	21
157 Cong. Rec. S5370–S5377 (daily ed. Sept. 7, 2011) ..	17
157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011)	21
Benjamin Graham & David Dodd, <i>Security Analysis</i> (1934)	10
<i>Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents,</i> 77 Fed. Reg. 48,680 (Aug. 14, 2012)	22

Cited Authorities

	<i>Page</i>
David Kappos, <i>PTAB and Patentability Challenges</i> , Sept. 24, 2012, at http://www.uspto.gov/blog/director/entry/ptab_and_patentability_challenges	4, 22
H.R. Report No. 112–98 (2011)	17, 21
<i>Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of Bilski v. Kappos</i> , 75 Fed. Reg. 43,922 (July 27, 2010)	15
Irving Fisher, <i>The Rate of Interest: Its Nature, Determination and Relation to Economic Phenomena</i> (1907)	10
<i>July 2015 Update on Subject Matter Eligibility</i> , 80 Fed. Reg. 45,429 (July 30, 2015)	15
Karl Marx, <i>Capital, A Critique of Political Economy</i> (1894)	10

BRIEF IN OPPOSITION

Respondent U.S. Bancorp respectfully submits this brief in opposition to the petition for writ of certiorari filed by Retirement Capital Access Management Company LLC.

OPINIONS BELOW

The court of appeals' summary affirmance is unreported and available at 611 Fed. App'x 1007. The final written decision of the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office is unreported but can be found at 2014 WL 4229953. The Patent Trial and Appeal Board's decision to institute a Covered Business Method Review is unreported but can be found at 2013 WL 8538864.

JURISDICTION

The Federal Circuit had jurisdiction pursuant to 28 U.S.C. § 1295(a)(4). The court of appeals filed its summary affirmance on August 7, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATEMENT

I. The '582 Patent

On June 22, 2012, Petitioner Retirement Capital Access Management Company LLC ("Petitioner," or "Retirement Capital") sued U.S. Bancorp, along with other unrelated financial companies, for alleged infringement of U.S. Patent No. 6,625,582 ("the '582 patent"). The '582

patent is titled “Method And System For Converting A Designated Portion of Future Social Security And Other Retirement Payments To Current Benefits.” The ’582 patent issued on September 23, 2003, based on an application filed on May 12, 1999, more than ten years before this Court ruled in *Bilski v. Kappos*, 561 U.S. 593 (2010), *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), and *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014).

According to the ’582 patent, the claimed invention “provides a system and method for enabling beneficiaries of retirement benefits to convert future benefits into current resources to meet current financial and other needs and objectives.” ’582 patent, col.8, ll.35–39. In other words, the ’582 patent’s claimed system and method allow recipients of Social Security payments or other retirement payments to convert a portion of future payments into current financial resources.

The purported point of novelty of the business method is that it “provides a mechanism for a [beneficiary] of Social Security payments, or of other retirement payments, to access present value of a designated portion of its future retirement payments . . . without encumbering the beneficiary’s rights to its future retirement benefits.” *Id.*, col.1, l.10 to col.2, l.21.

Although the ’582 patent describes the claimed methods and systems as “computerized,” none of the claims recite any specialized computer hardware or software. *Id.*, col.8, l.56 to col.14, l.65. Rather, the claims merely recite “computerized” in the preamble. *Id.* The ’582 patent also explains that the system “utilizes known

computer capabilities and electronic communications links” to carry out the steps of the business method. *Id.*, col.2, ll.30–32.

II. The AIA Establishes CBM Review

Several years after the '582 patent issued, and in response to a recognized problem with business method patents, Congress passed the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112–29, 125 Stat. 284 (2011).

The AIA authorized the PTO to review and revoke patents that never should have issued in the first instance, using various procedures such as *inter partes* review and post-grant review. AIA §§ 6, 18. A variant of post-grant review is the “transitional program for covered business method patents,” more commonly referred to as CBM review. *See* AIA § 18. CBM review was established to enable a defendant accused of infringing a “covered business method patent” to challenge the validity of the patent before the PTO—a procedure that “should serve as a substitute for litigation.” 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Charles Schumer).

A CBM petition may request to cancel a patent claim “on any ground that could be raised under paragraph (2) or (3) of [35 U.S.C.] section 282(b).” AIA § 6(d), 125 Stat. at 306; *see also* 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Patrick Leahy) (“In [CBM] review, the PTO could consider any challenge that could be heard in court.”). As required by statute, the Patent Trial and Appeal Board (“Board”) must complete its review

and issue a final decision within one year of instituting the review, unless good cause exists for a six-month extension. 35 U.S.C. § 326(a)(11) (2012); *see also* 37 C.F.R. § 42.200(c) (2013).

As former PTO Director David Kappos explained at the time, “the courts and Congress have indicated quite clearly, in our view, that the PTAB should consider patentability challenges brought under § 101 in post-grant and covered business method reviews.” David Kappos, *PTAB and Patentability Challenges*, Sept. 24, 2012, at http://www.uspto.gov/blog/director/entry/ptab_and_patentability_challenges.

In addition to CBM review, Congress also authorized district courts to stay concurrent litigation in the face of a CBM review. AIA § 18(b). The understood rationale for CBM review and its stay provision was to “provide a cost-efficient alternative to litigation” that avoids “forcing the parties to fight in two fora at the same time.” 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Charles Schumer). Senator Schumer, who co-authored the amendment to the AIA providing for CBM review, noted that CBM review “should be used instead of, rather than in addition to, civil litigation, [and] . . . [t]o that end, the amendment expressly authorizes a stay of litigation in relation to such proceedings and places a very heavy thumb on the scale in favor of a stay being granted.” *Id.*

III. In The CBM Review, The PTO Cancels The Asserted Claims Of The '582 Patent

After being sued for alleged patent infringement, Respondent U.S. Bancorp filed a petition for CBM review

of the '582 patent. App. 11a, 168a. The petition sought cancellation of asserted claims 1, 13, 14, 18, 30, and 31 as directed to unpatentable subject matter under 35 U.S.C. § 101. App. 11a. The petition detailed why the '582 patent claims are directed to the abstract, non-patentable idea of advancing funds based on the present value of future retirement payments. App. 168a–212a. Moreover, the petition explained that the nominal recitation of a “computerized method” in the preamble cannot render the claims patent-eligible because the computer is not integral to the claimed method. App. 207a–208a. Indeed, most, if not all, of the recited steps of the claims can be performed in a person’s mind or using pencil and paper, without the need for any kind of computer. App. 209a.

In a CBM review, a patent owner can respond to the petition before the Board decides whether to institute review of the patent. 37 C.F.R. § 42.207 (2013). Retirement Capital filed such a preliminary response, setting forth its reasons why it believed the challenged claims were limited to patentable subject matter and why the petition for review should be denied. App. 11a. Retirement Capital specifically argued that the claims did not preempt the abstract idea of advancing funds because the claims contained the limitation that the advance payment was done “without encumbering said beneficiary’s right to said future retirement payments and without violating legislated proscriptions in the United States against alienation of future retirement benefits.” App. 122a.

The Board considered both U.S. Bancorp’s petition and Retirement Capital’s preliminary response and concluded that it was more likely than not that the challenged claims are not patentable under § 101. App. 35a–53a. The Board

instituted CBM review of the '582 patent on September 20, 2013. App. 35a. The Board heard oral argument on April 1, 2014, and issued its final decision on August 22, 2014, holding that the challenged claims are not patent-eligible under § 101. App. 11a, 33a.

ARGUMENT

I. This Case Is Not The Right Vehicle To Consider The Issues Presented In The Petition

This case is not the correct vehicle with which to decide Petitioner's questions. Assuming for the moment that the questions rise to the level of importance warranting a grant of certiorari, review should be denied for two reasons. First, the Federal Circuit disposed of the present case by summary affirmance and did not issue a written opinion explaining its reasoning. Second, the outcome here—cancellation of the asserted claims of the '582 patent—is correct on the merits because there is no reasonable question that the claimed invention fails the subject matter eligibility requirement of § 101.

A. The Appeals Court Disposed of the Issue in a Summary Affirmance of the Board's Decision

Merits aside, this case does not present a good vehicle for review. The Federal Circuit did not issue a written opinion in this appeal. Instead, the court granted summary affirmance under Federal Circuit Rule 36. The rule expressly permits such a “judgment of affirmance without opinion” when the Federal Circuit determines, among other reasons, that the judgment “is based on findings that are not clearly erroneous” or “has been

entered without an error of law.” The Federal Circuit must not have regarded the present case as one worthy of any discussion on the merits.

The question presented regarding the PTO’s authority will likely be raised in a petition to this Court from one or both of the recently-decided *Versata* appeals. *See Versata Dev. Group, Inc. v. Lee*, 793 F.3d 1352 (Fed. Cir. 2015); *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015). In each of the *Versata* appeals, the parties raised multiple issues concerning the scope of the PTO’s authority and the scope of permissible CBM review, including the precise issue raised by Retirement Capital. *See Versata*, 793 F.3d at 1336 (holding *inter alia* that “[t]he requirements of § 101 of the Patent Act apply in a § 18 review”). The Federal Circuit issued a detailed opinion in July and more recently in October denied petitions for rehearing *en banc* in those appeals. It is widely expected that cert petitions will be filed. This Court should therefore expect the issue to be squarely raised in the *Versata* cases, where the parties will address intertwined questions about the scope of the PTO’s authority to review and revoke patents under CBM review.

In the present case, the panel’s reasoning is not known because of the summary affirmance. One may surmise that the panel agreed completely with the reasoning of *Versata*, but that is not certain. As a general matter, this Court avoids ruling on cases in which the court of appeals has not provided its factual and legal explanation for the outcome of the case. *See Ashwander v. TVA*, 297 U.S. 288, 347 (1936) (Brandeis, J. concurring). This is all the more reason that, even if the Court were to view the question presented as an important one to resolve, it should do so in the *Versata* appeal.

Finally, and to be sure, the scope of a federal agency's authority is often an important issue which this Court must frequently decide. *See, e.g., Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 835–36 (1986). It is incumbent that federal agencies, such as the PTO, act within the scope of the authority granted by Congress. The PTO has done so here, but if perchance the Court sees value in affirmatively confirming the validity of the PTO's actions, U.S. Bancorp respectfully suggests that any decision on whether to grant or deny Retirement Capital's petition should be deferred until the Court receives any cert petition in the *Versata* appeals, assuming such petitions are filed, to ensure legal certainty moving forward.

B. The Patent at Issue is Plainly Ineligible Under Settled § 101 Precedent

Review by this Court is unnecessary because, in this case, the claimed method and system at issue are plainly ineligible for patent protection. Even if the Board had not revoked the '582 patent claims, the patent could have been invalidated before the district court, albeit with a higher cost borne by U.S. Bancorp.

Abstract business methods are not patentable. *Bilski v. Kappos*, 561 U.S. 593, 612 (2010). This Court explained that “even if a particular business method fits into the statutory definition of a ‘process,’ that does not mean that the application claiming that method should be granted.” *Id.* at 609. In holding the claims in *Bilski* not patentable-eligible, the Court explained that the guidance of *Gottschalk v. Benson*, 409 U.S. 63 (1972), *Parker v. Flook*, 437 U.S. 584 (1978), and *Diamond v. Diehr*, 450

U.S. 175 (1981), offered the necessary “guideposts” to distinguish patentable subject matter from that which is not patentable. *Bilski*, 561 U.S. at 612.

After *Bilski*, the Court decided *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012). Although not addressing a business method or computer system, the Court reiterated the understanding that “‘post-solution activity’ that is purely ‘conventional or obvious’ . . . ‘can[not] transform an unpatentable principle into a patentable process.’” *Id.* at 1299 (quoting *Flook*, 437 U.S. at 589, 590). By highlighting the non-eligible subject matter in *Flook*, the Court in *Mayo* instructed that simply adding a routine, conventional activity, such as using a general computer to perform a routine calculation, to an otherwise abstract idea cannot make the abstract idea any less patent ineligible. *Mayo*, 132 S. Ct. at 1299–1300 (holding that the claimed diagnostic limitations were not patentable because “[t]hese instructions add nothing specific to the laws of nature other than what is well-understood, routine, conventional activity, previously engaged in by those in the field”).

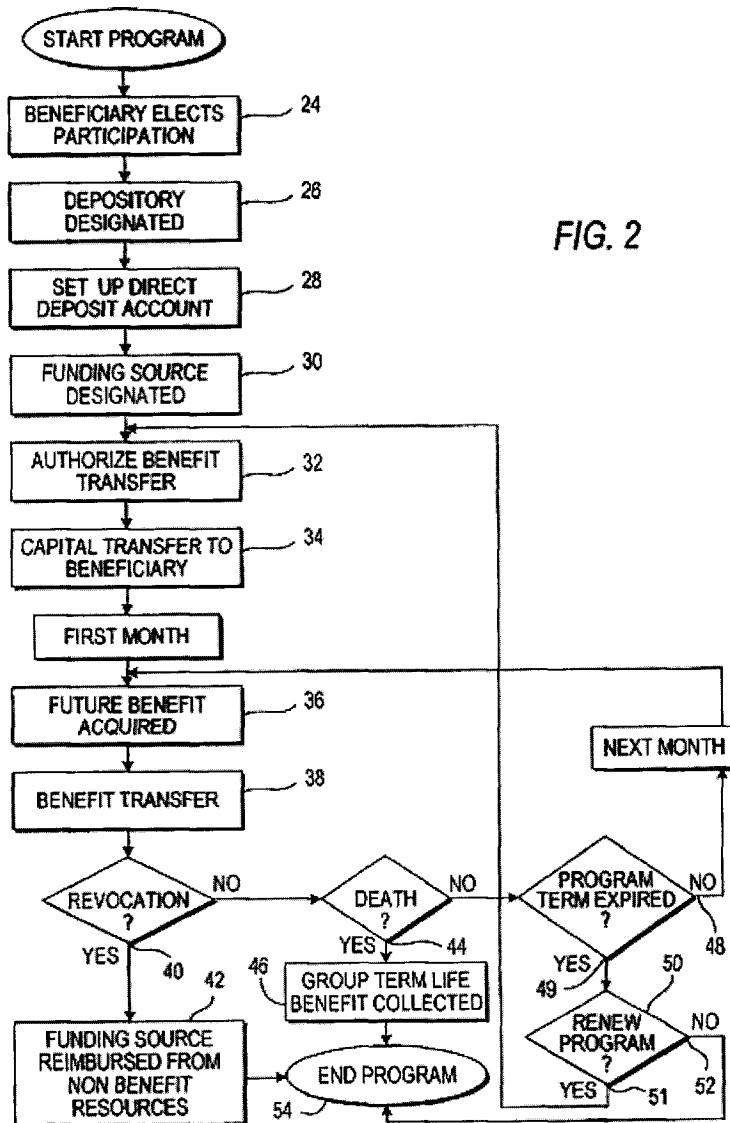
The Court invoked the same reasoning in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2015). The Court applied the two-step framework established in *Mayo* to hold as invalid claims relating to “a computerized scheme for mitigating ‘settlement risk’ — *i.e.*, the risk that only one party to an agreed-upon financial exchange will satisfy its obligation.” *Id.* at 2352. The Court concluded that “there is no meaningful distinction between the concept of risk hedging in *Bilski* and the concept of intermediated settlement at issue” and that “[b]oth are squarely within the realm of ‘abstract

ideas.” *Id.* at 2357. The Court then “conclude[d] that the method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent eligible invention.” *Id.*

The claimed invention at issue in the present case falls squarely within the class of non-patentable subject matter delineated by *Bilski*, *Mayo*, and *Alice*. At its base, the ’582 patent attempts to monopolize a method of providing an advance on a future retirement income stream, without encumbering the future income stream. The ’582 patent does specify that the amount of money advanced is “based at least in part on present value of a designated portion of said future retirement payments.” ’582 patent, col.9, ll.4–6. But a present value calculation of future funds is nothing new. *See, e.g., id.*, col.3, ll.45–46 (explaining that the method “utiliz[es] known techniques for calculating present value of a future asset”)); *see also* Benjamin Graham & David Dodd, *Security Analysis* 294 (1934) (discussing present value of a bond); Irving Fisher, *The Rate of Interest: Its Nature, Determination and Relation to Economic Phenomena* 25-27 (1907) (discussing a basic example of the present value of wood grown on an acre of land, thus illustrating the concept of the present value of a future asset). Even Karl Marx, in his misguided critique of capitalism, recognized the concept of present value of future income when he referred to “fictitious capital.” Karl Marx, *Capital, A Critique of Political Economy*, Volume 3 (1894).

The essence of the so-called invention is captured by Figure 2 of the ’582 patent:

FIG. 2



As is evident from Figure 2, the invention covers a combination of known, conventional steps used to describe and govern financial relationships among various parties—much like the contract hedging claims in *Bilski*.

To the extent the claims actually require the use of a computer or are directed to general computers programmed with instructions, that addition is nothing more than a “well-understood, routine, conventional activity,” as explained in *Mayo*, *Flook*, and *Alice*. Indeed, the inventors themselves acknowledge that the invention “utilizes known computer capabilities.” ’582 patent, col.2, ll.30–33. The ’582 patent contains no specific algorithms and discloses no computer code with which one of ordinary skill in the art would be able to implement the claimed methods. The depth of computer involvement in the claimed business method is accurately captured by Figure 1, which depicts generic desktop computers somehow possibly interacting with each other:

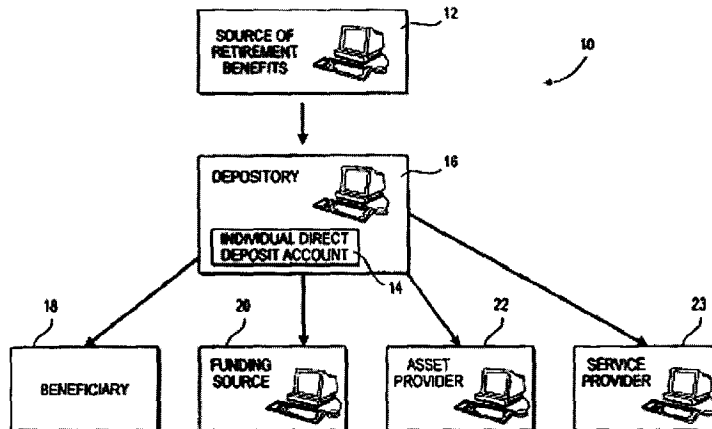


FIG. 1

'582 patent, Fig. 1. In this sense, the claims are no different than those invalidated in *Alice*. Simply put, the claims of the '582 patent cannot withstand this Court's precedent.

The asserted claims here are similar to those invalidated in Federal Circuit cases that have faithfully applied this Court's precedent, and which Retirement Capital does not address in its petition. In *Dealertrack v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012), the appeals court held that the phrase "computer aided" did not impose a meaningful limit on the abstract idea because "[t]he claims are silent as to how the computer aids the method, the extent to which a computer aids the method, or the significance of a computer to the performance of the method." Simply appending "computer aided" to an otherwise abstract business idea does not impart patent eligibility.

In *Bancorp Services, L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1278 (Fed. Cir. 2012), the appeals court held that using a general purpose computer to perform a method of administering and tracking the value of life insurance policies did not render the claimed method and system patentable. Similarly, in *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011), the court held method and systems claims unpatentable because "merely claiming a software implementation of a purely mental process that could otherwise be performed without the use of a computer does not satisfy the machine prong of the . . . test." See also *Fort Props., Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1323–24 (Fed. Cir. 2012) (holding the system claims unpatentable because the patentee "simply added a computer limitation to claims covering an abstract

concept—that is, the computer limitation is simply insignificant post-solution activity”); *In re Schrader*, 22 F.3d 290, 292–95 (Fed. Cir. 1994) (holding that “a method of competitively bidding on a plurality of related items” was not patentable subject matter).

More recent cases from the Federal Circuit confirm that the claims of the ’582 patent must fall under § 101. In *OIP Technologies, Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–64 (Fed. Cir. 2015), the court affirmed a judgment on the pleadings that a claimed “method of pricing a product for sale,” *i.e.*, “offer-based price optimization,” was not patent-eligible under § 101. In *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1347–49 (Fed. Cir. 2015), the court affirmed the invalidation of a patent directed to a “method of providing an intelligent user interface to an online application” because the claims covered mere abstract ideas. Similarly, in *Intellectual Ventures I LLC v. Capital One Bank (USA), National Association*, 792 F.3d 1363, 1367 (Fed. Cir. 2015), the court invalidated claims “directed to an abstract idea: tracking financial transactions to determine whether they exceed a pre-set spending limit (*i.e.*, budgeting).”

Petitioner notably fails to cite a single case under which the challenged claims would be deemed to satisfy § 101. *See* Pet. at 19-29. The few Federal Circuit decisions within the past several years upholding claims under § 101 have focused on the technical complexity of the claimed methods and the need for a specialized computer to actually carry out the claimed method. *See SiRF Tech., Inc. v. Int’l Trade Comm’n*, 601 F.3d 1319, 1331–33 (Fed. Cir. 2010); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859, 867–69 (Fed. Cir. 2010).

The invalidity of the asserted claims is further confirmed by the PTO's guidelines regarding patentable subject matter, explaining that the presence of "general concepts" disembodied from specialized computer equipment is a factor weighing against patent eligibility. *See July 2015 Update on Subject Matter Eligibility*, 80 Fed. Reg. 45,429 (July 30, 2015); *Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of Bilski v. Kappos*, 75 Fed. Reg. 43,922, 43,927 (July 27, 2010) (explaining that "[b]asic economic practices or theories" and "[b]asic legal theories," such as contracts and rules of law, factor against patent eligibility).

In sum, even if the Court were tempted by the question of whether the PTO is authorized to revoke patent claims based on § 101 in a CBM review, this case is not the right vehicle for an answer because the asserted patent does not comply with § 101 and the claims would have easily been invalidated in district court.

II. The Federal Circuit's Uniform Interpretation Of The America Invents Act Is Correct

The petition should be denied for two further reasons. First, no split of authority exists concerning the issues raised. Second, at its base, the Federal Circuit correctly interpreted the AIA when it held that § 101 is a ground for patent invalidity and thus can be raised in a CBM review.

A. There is No Split in Authority that Requires This Court's Intervention

Supreme Court review is not needed for the further reason that there is no split of opinion within the Federal Circuit.

Of the members of the Federal Circuit ruling on the issue, all but one agree that the Board's decision is correct. In *Versata v. SAP*, Judges Newman and Plager held that, "looking at the entirety of the statutory framework and considering the basic purpose of CBM reviews, the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18." 793 F.3d at 1330. In the case directly challenged by Retirement Capital's petition, Judges Lourie, Bryson, and O'Malley unanimously affirmed the Board's decision under Federal Circuit Rule 36. With the denial of the rehearing petitions in the *Versata* appeals, one must presume unanimity of opinion that § 101 is a grounds for invalidity.

The only outlier resides with Judge Hughes, but his perspective offers no support for Petitioner's cause. Judge Hughes believed the issue was not one that could be reviewed by the appeals court under the AIA. 793 F.3d at 1336–43. He concurred in the outcome of the case, agreeing that the patent at issue was invalid under § 101. *Id.* Judge Hughes disagreed with the majority when it came to reviewing the question of the Board's authority to revoke the patent based on § 101 in a CBM review. In his view, "[t]he plain language of [35 U.S.C.] § 324(e) unambiguously bars judicial review—at any time—of the Board's decision to institute post-grant review." *Id.* at 1337.

Because there is no split of authority on the question raised in this case, this Court's review is not warranted.

B. On the Merits, the Federal Circuit’s Ruling in *Versata* Is Correct

When Congress was considering H.R. 1249 and S. 23, the bills leading to the AIA, the concerns about business method patents and patentable subject matter were at the forefront of the discussions. *See, e.g.*, 157 Cong. Rec. H4480–H4505 (daily ed. June 23, 2011); 157 Cong. Rec. S5370–S5377 (daily ed. Sept. 7, 2011); H.R. Rep. No. 112–98, at 54, 162 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 84–85, 110. Indeed, Sen. Schumer observed that “[b]usiness method patents are anathema to the protection the patent system provides because they apply not to novel products or services but to abstract and common concepts of how to do business.” 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011).

To that end, Congress established the CBM review procedure. AIA § 18, 125 Stat. at 329–331. Congress authorized CBM review based on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3). AIA § 6(d), 125 Stat. at 306 (amending 35 U.S.C. § 321). Section 282(b) (2) of Title 35 authorizes an invalidity defense based ‘on any ground specified in part II of this title as a condition for patentability.’ By authorizing review based on a “condition for patentability,” as specified in part II of Title 35, Congress necessarily authorized review for subject matter eligibility compliance under § 101.

First, as Petitioner acknowledges, part II of Title 35 includes § 101, as well as § 102, 103, and 112—all common grounds for invalidating issued patents or rejecting patent applications. By the AIA’s plain terms then, CBM review must include § 101.

Furthermore, related provisions in the AIA confirm this reading. When Congress wanted to restrict review to particular grounds for invalidity, it did so. With *inter partes* review, Congress limited challenges to those based on “a ground that could be raised under section 102 or 103.” 35 U.S.C. § 311(b). The statutory text makes plain that an *inter partes* review cannot be based on § 101.

If Congress did not want to include § 101 within the scope of CBM review, then it would have used similar language, specifying that a challenge could be based on “a ground that could be raised under section 102, 103, 112, or 251.” This language would have achieved what Retirement Capital believes was enacted.

But Congress did not so limit the scope of CBM review. Instead, Congress used the broader, more inclusive text that referred to “any ground specified in part II of this title as a condition for patentability.” By doing so, Congress authorized the PTO to cancel patent claims in a CBM review if those claims did not satisfy the requirements of § 101.

Petitioner’s textual argument unduly hinges on the section titles within part II of Title 35. Pet. at 8–9. As this Court has explained, the titles cannot overcome or constrict the plain language of the text. *See Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241, 256 (2004); *Brotherhood of R.R. Trainmen v. Baltimore & Ohio R.R.*, 331 U.S. 519, 529 (1947).

Second, this Court has generally understood § 101 to be one of the conditions for patentability. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 12 (1966); *see also Bilski*, 561 U.S. at 621 (Stevens, J., concurring) (“Section 101 imposes a threshold condition.”). While 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, that is the only logical way to understand the Court's precedent. To adopt Petitioner's interpretation would render the Court's decision in *Alice* nonsensical. *Alice* affirmatively ruled that the asserted claims were invalid under § 101. The only way to read that case is that the Court understood § 101 to be "a condition of patentability."

The Federal Circuit has followed the Court's guidance and almost uniformly recognized that § 101 is a condition for patentability. *Aristocrat Techs. Australia Pty Ltd. v. Int'l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008) ("It has long been understood that the Patent Act sets out the conditions for patentability in three sections: sections 101, 102, and 103."); *see also Dealertrack*, 674 F.3d at 1330 n.3 ("[T]he defenses provided in the statute, § 282, include not only the conditions of patentability in §§ 102 and 103, but also those in § 101."). The one exception was in *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012), but the statements in that case have been abrogated by *Versata*.

Furthermore, because it is a threshold, quasi-jurisdictional requirement, § 101 is frequently decided before assessing the other conditions for patentability. *See Bilski*, 130 S. Ct. at 3225 (describing the § 101 issue as a "threshold test"); *Flook*, 437 U.S. at 593 (noting that "[t]he obligation to determine what type of discovery is sought to be patented must precede the determination of whether that discovery is, in fact, new or obvious"); *In re Comiskey*, 554 F.3d 967, 973 (Fed. Cir. 2009) ("Only if the requirements of § 101 are satisfied is the inventor allowed to pass through to the other requirements for patentability, such as novelty under § 102 and . . . non-obviousness under § 103.").

When Congress enacted the AIA, one must presume that it was aware of, and adopted, the judicial understanding of what constituted a condition for patentability. See *Merrill Lynch, Pierce, Fenner & Smith v. Curran*, 456 U.S. 353, 382 n.66 (1982) (“Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.” (quoting *Lorillard v. Pons*, 434 U.S. 575, 580 (1978))).

Third, the AIA’s legislative history confirms that § 101 is a proper basis for CBM review. Indeed, Congress designed CBM review specifically to address what was seen as a failure of the law governing abstract business methods.

In its 1998 *State Street* decision, the Federal Circuit greatly broadened the patenting of business methods. Recent court decisions, culminating in last year’s Supreme Court decision in *Bilski v. Kappos*, have sharply pulled back on the patenting of business methods, emphasizing that these “inventions” are too abstract to be patentable. In the intervening years, however, PTO was forced to issue a large number of business-method patents, many or possibly all of which are no longer valid. The Schumer[-Kyl] proceeding offers a relatively cheap alternative to civil litigation for challenging these patents, and will reduce the burden on the courts of dealing with the backwash of invalid business method patents.

157 Cong. Rec. S1367 (daily ed. Mar. 8, 2011).

Senator Kyl reaffirmed Congress's intent to include § 101 challenges in CBM reviews, noting that the "more likely than not invalid" standard applies to "issues that can be raised in post-grant review, such as enablement and section 101 invention issues." 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011).

Senators Kyl and Schumer were not alone in their views. In one debate of the then-pending bill, Senator Pryor stated: "As I understand it, Section 18 is intended to enable the PTO to weed out improperly issued patents for abstract methods of doing business." 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011). In response, Senator Leahy confirmed this view: "As in other post-grant proceedings, the claims should typically be evaluated to determine whether they, among other things, meet the enablement and written description requirements of the act, and contain patentable subject matter under the standards defined in the statutes, case law, and as explained in relevant USPTO guidance." 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011). Both Senators Pryor and Leahy were confident that CBM review would tackle the problem of abstract business methods by reviewing compliance with § 101.

The legislative history captures Congress's uniform concern about abstract business method patents. *See* H.R. Rep. No. 112-98, at 54 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 84 (noting the "issuance of poor business-method patents during the late 1990's through the early 2000's [that] led to the patent 'troll' lawsuits" and explaining that the AIA "responds to the problem by creating" CBM review). It would be odd, to say the least, for the Board to be prohibited from assessing the

threshold issue of § 101 in a post-grant review proceeding specifically designed and implemented to remedy the problem of abstract business method patents.

The PTO's view of the § 101 issue conforms to this Court's prior guidance. During the rulemaking process, the PTO explained that "a petitioner in a covered business method patent review may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under 35 U.S.C. [§] 282(b)(2) or (3) (relating to invalidity of the patent or any claim)." *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 48,680, 48,687 (Aug. 14, 2012). At the time of the rulemaking, the common understanding was that § 101 would be the basis for the revocation of a patent claim in CBM review.

Former Director of the PTO David Kappos reaffirmed the PTO's position in a written explanation of why the agency determined that a CBM review can be based on § 101. David Kappos, *PTAB and Patentability Challenges*, Sept. 24, 2012, available at http://www.uspto.gov/blog/director/entry/ptab_and_patentability_challenges. Director Kappos concluded that "the courts and Congress have indicated quite clearly, in our view, that the PTAB should consider patentability challenges brought under § 101 in post-grant and covered business method reviews." *Id.*

The United States, speaking through the Solicitor General, has repeatedly advanced the same understanding. In *Alice*, the Solicitor General wrote that, "[i]n particular,

the bill's sponsors anticipated that non-technological business-method patents would be subject to eligibility challenges under *Bilski*, and they emphasized that the CBM Program would provide a forum for those challenges." Brief for the United States as Amicus Curiae in Support of Respondents, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, No. 13-298, (U.S. filed Feb. 26, 2014), 2014 WL 828034, at 18-19. More recently, in the *Versata* appeals, the unambiguous position of both the PTO and the United States is that CBM review can proceed based on a § 101 challenge.

Retirement Capital refers to the PTO's website, which apparently includes a statement expressing the sentiment that § 101 is not a basis for CBM review. Pet. at 10; App. 213a. That website appears not intended as official legal advice.¹ Regardless, the PTO's website cannot supersede the agency's and the United States' official legal positions, all of which consistently state that CBM review can consider § 101.

Retirement Capital also does not consider the possibility that, if the controlling language is viewed as ambiguous, the PTO's interpretation of AIA § 18 may be afforded at least some deference. See *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984); *Skidmore v. Swift & Co.*, 323 U.S. 134, 139 (1944); *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1343 (Fed. Cir. 2008) (affording *Chevron* deference to the PTO's

1. Retirement Capital did not provide a citation to the website in its petition. It appears that the website in question is available at <http://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/america-invents-act-aia-frequently-asked>.

interpretation of “original application” as used in the *inter partes* reexamination provisions of the American Inventors Protection Act of 1999.) Moreover, the PTO’s interpretation may be afforded *Chevron* deference. See *City of Arlington v. FCC*, 133 S. Ct. 1863, 1874 (2013) (holding that an agency’s interpretation of a statutory ambiguity that concerns the scope of its regulatory authority, *i.e.*, its jurisdiction, is entitled to *Chevron* deference).

Because the underlying merits of the Federal Circuit’s decision is correct, this Court’s review is not warranted.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,
ANTHONY H. SON
Counsel of Record
MATTHEW J. DOWD
ANDREWS KURTH LLP
1350 I Street, NW
Washington, D.C. 20005
(202) 662-2700
anthonyson@andrewskurth.com

Counsel for Respondent U.S. Bancorp

March 1, 2016