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

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| RMAIL LIMITED,<br><br>      Plaintiff,<br><br>      v.<br><br>AMAZON.COM, INC., PAYPAL, INC., and SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION SCRL D/B/A SWIFT,<br><br>      Defendants. | CASE NO.  2:10-CV-00258-JRG |

**DEFENDANT PAYPAL, INC.'S REPLY IN SUPPORT OF MOTION FOR
PARTIAL SUMMARY JUDGMENT OF INVALIDITY UNDER 35 U.S.C. SECTION 101**

## I.     THIS COURT CAN AND SHOULD ENFORCE SECTION 101

### A.     This Court Has The Authority To Enforce Section 101

Rmail's opposition to ("defendant") PayPal's motion seems to suggest that courts are incapable of stepping in to adjudicate patents that the U.S. Patent and Trademark Office has granted on ideas that, under the current state of the law, are unpatentable under 35 U.S.C. § 101. Specifically, Rmail urges this Court to rule that eligibility for a patent under Section 101 is not a condition for patentability.  (Dkt. No. 98 at 2, 25-27.)  It mistakenly relies on *Aristocrat Tech. v. Int'l Game Tech.,* 543 F.3d 657 (Fed. Cir. 2008) for this incorrect proposition.  In fact, the court in *Aristocrat Tech.* expressly rejected Rmail's argument stating that "it is beyond question that Section 101's other requirement, that the invention be directed to patentable subject matter, is also a condition for patentability."  *Id.* at 661 n.3.  Here, this Court has the authority it needs to properly adjudicate patentability under Section 101.

### B.     This Court Should Enforce Section 101

Rmail argues, in the alternative, that Section 101 is too "murky" and "coarse" a filter to be enforced by trial courts unless it is "manifest" that the claim encompasses patent-ineligible subject matter.  (Dkt. No. 98 at 2, 14, 18, 22, 25, 27.)  This past March, the U.S. Supreme Court issued an opinion on this very issue providing courts of the land with guidance on enforcement of Section 101.  The Supreme Court disagreed with Rmail's assessment of Section 101:  "These considerations lead us to decline the Government's invitation to substitute §§102, 103, and 112 inquiries for the better established inquiry under §101."  *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1304 (2012) ("*Prometheus*").  (*See* Dkt. No. 96 at 6-7.)  And, the Supreme Court has vacated and remanded one Federal Circuit ruling Rmail cites, in view of *Prometheus.  See Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011), *vacated sub nom. WildTangent, Inc. v. Ultramercial, LLC*, No. 11-962 --- S. Ct. ----, 2012 WL 369157 (U.S. May 21, 2012).  *Prometheus* is the current law of the land.

## II.   RMAIL CITES OVERRULED CASE LAW

Rmail's opposition relies on outdated law for other propositions as well, such as the

significance of a patent claim reciting electronic data transformations.  Specifically, Rmail urges

this Court to follow Federal Circuit rulings applying the "*Freeman-Walter-Abele* test"—

*Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1058-60 (Fed. Cir. 1992)

(applying the "*Freeman-Walter-Abele* test for statutory subject matter") and *In re Schrader*, 22

F.3d 290, 292 (Fed. Cir. 1994) ("following a two-step protocol developed by our predecessor

court and dubbed the *Freeman-Walter-Abele* test.").  (Dkt. No. 98 at 24.)  Rmail fails to mention

that the *en banc* Federal Circuit has expressly rejected this test, and warned courts away from

*Arrhythmia Research* and other decisions which had applied this test.  *In re Bilski*, 545 F.3d 943,

959 (Fed. Cir. 2008) (*en banc*), *aff'd sub nom. Bilski v. Kappos*, 130 S. Ct. 3218 (2010) ("we

conclude that the *Freeman-Walter-Abele* test is inadequate"); *id.* at 959 n.17 ("in *Abele*, *Meyer*,

*Grams*, [*Arrhythmia Research*], and other decisions, those portions relying solely on the

*Freeman-Walter-Abele* test should no longer be relied on.")

## III.   RMAIL'S ARGUMENTS REGARDING
## NOVELTY SUPPORT GRANTING THIS MOTION

Defendant's opening memorandum summarized why the asserted patent claims are

invalid:

> The asserted patents address a problem faced by anyone sending information to a
> recipient via a third-party intermediary: how to prove later, if needed (i.e., how to
> authenticate), what was sent, to whom, and when. These patents' alleged solution
> is a mathematical one. They use mathematical functions to calculate data that
> other mathematical functions use to verify (authenticate) the timing, content, and
> destination of the message. The challenged patent claims are invalid because they
> encompass this abstract, mathematical idea per se, rather than being limited to
> some particular hardware implementation using the idea.

(Dkt. No. 96 at 1.)

Rmail argues that "the particular kind of dispatch information" the patent applicants input

into the mathematical functions—namely, the timing, content, and destination of a message—

was novel.  (Dkt. No. 98 at 3, 13 n.5, 21.)  However, Rmail's argument actually supports the

granting of defendant's motion.  The kind of data input into the mathematical function is part of the abstract algorithm.  Rmail concedes that the alleged novelty resides in this data.  Yet, under Section 101, "the novelty of the mathematical algorithm is not a determining factor at all." *Parker v. Flook*, 437 U.S. 584, 591 (1978).

Rmail implies that abstract ideas under Section 101 are limited to mathematical functions (and thus the data input into the function cannot be part of the abstract idea).  The Supreme Court disagrees with Rmail's argument.  For example, one abstract idea claimed in *Bilksi* was "(a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumers; (b) identifying market participants for said commodity having a counter-risk position to said consumers; and (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions." *Bilski*, 130 S. Ct. at 3223-24; *id.* at 3232-33 (Stevens, J., concurring).  In *Flook*, part of the abstract idea was to use information representing a current alarm base and a current offset value.  Here, the mathematical algorithm includes using information representing the content, destination and timing of a message.  (*See* Dkt. No. 96 at 9, explaining Fig. 7 of the patents.)  Whether using this particular input information is novel is immaterial to the Section 101 analysis, under *Flook* and *Prometheus*.

The novelty the Supreme Court instead considers under Section 101 is the novelty of post-solution activities recited in the claims.  (Dkt. No. 96 at 7.)  In *Diamond v. Diehr*, 450 U.S. 175 (1981), those post-solution activities were novel and in *Flook* and *Prometheus* they were not. (Dkt. No. 96 at 5, 7.)  Here, the portions of these claims that do not recite the algorithm itself are merely data gathering steps – a point which defendant made in its opening memorandum (*see* Dkt. No. 96 at 13-15) and which Rmail does not dispute.  As a matter of law, such steps in these claims are inadequate under Section 101 of Title 35.  (Dkt. No. 96 at 18.)

IV.     **RMAIL'S ARGUMENTS REGARDING**
        **"ELECTRONIC MEANS" SUPPORT GRANTING THIS MOTION**

Rmail argues that the claims' mathematical algorithms must be performed by "an electronic means" "which may be, but need not be, a computer." (Dkt. No. 98 at 11.) Even if so, that would support granting this motion on the particular patents asserted against defendant here.

The Supreme Court has rejected patent claims under Section 101 despite those claims being limited to a particular technological environment. (Dkt. No. 96 at 4-5, 7.) For example, in *Prometheus*, the claim was limited to a pre-existing audience of "doctors who treat patients with certain diseases with thiopurine drugs." 132 S. Ct. at 1297. Such a limitation, on its own, cannot save the claim because the "prohibition against patenting abstract ideas 'cannot be circumvented by attempting to limit the use of the formula to a particular technological environment.'" *Id.* (quoting *Bilski* and *Diehr*); *accord Flook*, 437 U.S. at 586 (rejecting claims limited to "computerized calculations producing automatic adjustments in alarm settings"); *Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972) (rejecting claims limited to programmable digital computers).

The asserted patents concede that third-party dispatching services already existed that forwarded *electronic* messages from senders to receivers. (Dkt. No. 96 at 7-8.) Performing the recited algorithms *electronically* merely limits the claim to that pre-existing technological environment. Moreover, using an "electronic means" to perform mathematical authentication calculations was "obvious, already in use, or purely conventional" when these patent applications were filed, and thus unable to save the claims under *Prometheus*. (*See* Dkt. No. 96 at 5, 7; '219 Patent at 1:34-2:25 (describing prior art electronic authentication mechanisms).)

Rmail argues that the patents claim functional, practical, and palpable applications of their mathematical algorithms. (Dkt. No. 98 at 20.) But, Rmail points to nothing in the claims beyond the algorithms and gathering of data for the algorithms. And, Rmail cannot distinguish the rejected claims in *Flook*, *Bilski* and *Prometheus*—which had functional, practical and palpable applications setting alarm limits, conducting hedging transactions, and treating medical conditions, respectively.

Even if the asserted claims required an electronic means, that would not qualify as a "particular machine" that meaningfully limits the claim.  *Cf. Prompt Med. Sys., L.P. v. Allscriptsmysis Healthcare Solutions, Inc.*, No. 6:10-CV-71, 2012 WL 678216, at *5 (E.D. Tex. Feb. 13, 2012) (pre-*Prometheus* decision cited by Rmail, finding that a general purpose computer is not a *Bilski* "particular machine").  In an electronic dispatch environment, the "dispatcher" and "authenticator" necessarily are electronic.

Nor do these claims require a "particular transformation" of a particular article. Specifically, Rmail argues that these claims recite the electronic transformation of data (Dkt. No. 98 at 23-25), but does not and cannot show that the claims are limited to "a visual depiction that represents specific physical objects or substances," per *In re Bilski*, 545 F.3d at 963.

## V.   THIS COURT CAN AND SHOULD DECIDE THIS MOTION NOW

This Section 101 defense is ripe for summary adjudication for the asserted patents. Rmail identifies no dispute of fact and no need for discovery.  Nor is there any material claim construction dispute.  PayPal, accepts for purposes of this motion only, Rmail's proposal regarding "electronic means," and it is undisputed that no challenged claim requires a computer (Dkt. No. 98 at 11), or any computer part or computer-executable instructions, or the Web or Internet (Dkt. No. 96 at 11).  As for the pending reexamination proceedings, both parties agree that those proceedings cannot address the Section 101 issue presented by this motion.

## VI.   CONCLUSION

PayPal respectfully requests that the Court grant its motion that claims 1-51 of the '334 patent and claims 30-70 of the '219 patent are invalid under 35 U.S.C. § 101.

<div align="center">Respectfully submitted,</div>

Dated:  May 25, 2012            By:     */s/John D. Vandenberg*
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on May 25, 2012 a true and correct copy of the

above and foregoing document has been served on all counsel of record who are deemed to have

consented to electronic service via the Court's CM/ECF system per Local Rule CV-5(a)(3).


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1