

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

RMAIL, LIMITED)	
)	
v.)	No. 2:10-cv-00258-JRG
)	
AMAZON.COM, INC. a Delaware corporation,)	JURY TRIAL DEMANDED
PAYPAL, a Delaware Corporation, and)	
SOCIETY FOR WORLDWIDE INTERBANK)	
FINANCIAL TELECOMMUNICATION SCRL)	
D/B/A SWIFT, a Belgian limited liability)	
cooperative company)	

**PLAINTIFF RMAIL, LIMITED'S
SURREPLY IN SUPPORT OF ITS OPPOSITION TO
DEFENDANT PAYPAL, INC.'S MOTION FOR PARTIAL
SUMMARY JUDGMENT OF INVALIDITY UNDER 35 U.S.C. SECTION 101**

I. DEFENDANTS CONCEDE ENOUGH TO DEFEAT THEIR MOTION

In Section IV of their Reply, Defendants give up arguing that Rmail's '219 or '334 patents might cover CIA mathematicians or extraterrestrials performing mental steps. (See Dkt. 96 at 11-12). They concede that the claims are limited to electronic means. Defendants in this way now admit that Rmail's claims do not "pre-empt" any abstract ideas or formulas. Defendants thereby surrender any attempt to analogize Rmail's patent claims to *Gottschalk v. Benson*, or otherwise argue that they cover solely mental steps.

Unfortunately, Defendants fail to appreciate the significance of their concession. Shifting the premise of their argument, Defendants now argue for the first time that limiting the claims only to "electronic means" that perform the steps somehow "would support granting this motion." (Def. Reply 4). This section of Defendants' brief simply reargues that Rmail's patents allegedly claim a mere "technological environment" for an

abstract idea. If Defendants were correct, then the claims would state something like this:

A method comprising the step of:

utilizing mathematical association methods, applied to the field of authenticating transmissions from a sender to a recipient.

But they do not say this. They say much more, including steps relating to receiving certain data, providing certain indicia concerning this data, associating specified aspects of this data with other data, securing the output of these processes, and only then requiring that one or another of the previous steps must deploy “mathematical association methods.” *See, e.g.*, claim 60 of the ‘219 patent. That is why Defendants are wrong to argue that “Rmail points to nothing in the claims beyond the algorithms and the gathering of data for the algorithms.” (Defs. Reply 4). The “securing” step in particular may, but need not, involve any algorithm. The specification explains that “securing” embodiments can include *either* utilizing encryption methods *or* placing information in read-only storage (9:56-67), each of which qualify as ways to “store the transmitted information together with its associated dispatch information in a secure manner,” so that “no interested party can change it without such action being detectable.” (*Id.*).

Defendants’ Reply therefore does not refute that the ‘219 and ‘334 patents claim, as a whole, more than just an environment for an abstract idea. They claim unconventional inventive concepts in the application of mathematical association methods. The USPTO itself, in agreeing to issue a reexamination certificate over all identified prior art, confirmed that the claims involve an inventive application of mathematical association.

II. THE “OVERRULED CASELAW” ARGUMENT IS INCORRECT

In Section II of the Reply, Defendants argue that Rmail relies on Federal Circuit rulings applying overruled caselaw, the “*Freeman-Walter-Abele* test.” Defendants are wrong. The Federal Circuit did *not* hold that cases that have applied that test are *per se* overruled. Instead, the Federal Circuit held that “those portions” of decisions that rely “solely” on the *Freeman-Walter-Abele* test should not be relied upon. *In re Bilski*, 545 F.3d 943, 959 (Fed. Cir. 2008). Rmail cited different portions of the authorities in question: *In re Schrader*, 22 F.3d 290 (Fed. Cir. 1994) and *Arrhythmia Research Tech., Inc. v. Corozonix Corp.*, 958 F.2d 1053 (Fed. Cir. 1992). These portions stand for the proposition (independent of the *Freeman-Walter-Abele* test) that “the transformation or conversion of subject matter representative of or constituting physical activity or objects” is tantamount to the transformation of the activity or object themselves. *In re Schrader*, 22 F.3d at 295; *see also Arrhythmia*, 958 F.2d at 1059 (“The view that ‘there is nothing necessarily physical about “signals”’ is incorrect.”).¹ Even if Defendants were correct that Rmail’s cases have been overruled, Rmail presented many other reasons in other sections of its Response for denying summary judgment.

III. THE CLAIMS ANALOGIZE TO THOSE IN *DIAMOND V. DIEHR*

In Section III of the Reply, Defendants misstate Rmail’s argument about the proven unconventionality of the patent claims as a whole. Rmail never argued that the novelty of the claims resides solely in the particular inputs to the claimed mathematical

¹ It is actually Defendants who rely on overruled precedent. The Federal Circuit *Bilski* decision questioned the use of the *Freeman-Walter-Abele* test as part of its holding that the “machine or transformation” test was the sole test of patent subject matter eligibility. But the Supreme Court expressly overruled *this* holding, albeit reaching the same result applying different standards. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3227 (2010).

association. Rmail instead argued (and the USPTO found) that the claims as a whole – including all of the structure, algorithmic and non-algorithmic process steps, and electronic means contained within them – are unconventional. *See, e.g.*, Dkt. No. 98, at 1-2, 13. This unconventionality entitled the claims to USPTO confirmation during reexamination.

Defendants also unsuccessfully try to diminish importance of the USPTO findings of unconventionality of the claims. They argue that novelty within “merely data gathering steps” would be inadequate to demonstrate an invention in the application of a formula. (Def. Reply 3). Not only did the USPTO confirm patentability for reasons beyond just the data gathering steps. Defendants also point to no authority holding that this Court must ignore the unconventionality of the particular inventive combination of inputs for a process. Indeed, the *Prometheus* decision rejected just such an argument:

Unlike the process in *Diehr*, [*Flook’s* claims] did not “explain *how the variables used in the formula were to be selected*, nor did the [claim] contain any disclosure relating to chemical processes at work or the means of setting off an alarm or adjusting the alarm limit.”

Mayo Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289, 1299 (2012) (emphasis added). Thus, *Prometheus* endorses analyzing how variables used in a formula are selected in ascertaining if the non-abstract parts of a claim are unconventional (as was the case in *Diehr*). Contrary to Defendants’ argument, “merely data gathering steps” can potentially confer subject matter eligibility.

Prometheus also vindicates Rmail’s focus on the inventive application of the *formula* to demonstrate that Rmail’s claims do not fall into the abstract idea exception. Specifically, a court should inquire whether there is an “‘inventive concept’ in the *claimed application of the formula.*” *Id.* (emphasis added). *Prometheus* does not say (as

Defendants wish it did) that one must ignore any and all inventive concepts in the selection of the variables used in the formula.

IV. DEFENDANTS AGREE THIS COURT IS EMPOWERED TO APPLY A CORRECT INTERPRETATION OF STATUTORY LANGUAGE, AND THEREBY END THE INCORRECT USE OF PATENT SUBJECT MATTER ELIGIBILITY AS A LITIGATION DEFENSE

Finally, Defendants agree that this Court may decide whether patent subject matter eligibility under Section 101 is a litigation defense. Defendants also agree that the answer turns on whether subject matter eligibility is a “condition for patentability.” If so, it would fall under 35 U.S.C. § 282(2). If not, there is no statutory basis for it as a litigation defense.

Defendants reach the wrong result because they incorrectly rely on Federal Circuit *dicta*. In doing so, Defendants ignore a more recent Federal Circuit ruling directly on point. Defendants also overlook Supreme Court precedent contrary to “subject matter eligibility” being a litigation defense.

Defendants argue that the Federal Circuit’s *Aristocrat* decision makes “subject matter eligibility” a qualifying “condition for patentability” under Section 282(2). (Def. Reply 1, citing *Aristocrat Tech. v. Int’l Game Tech.*, 543 F.3d 657, 661 n.3 (Fed. Cir. 2008)). However, Defendants cite only *dicta* from a footnote which itself cites to no authority for this proposition.²

² The cited footnote also mentions “patentable subject matter,” not “subject matter eligibility.” It is possible, therefore, that the phrase “patentable subject matter” in footnote 3 of *Aristocrat* simply refers to that part of Section 101 that already incorporates Sections 102 and 103: “Whoever invents . . . may obtain a patent therefor, *subject to the conditions and requirements of this title.*”

The Federal Circuit this year confirmed that Congress named only two Patent Act sections “conditions for patentability” – Sections 102 and 103. *Myspace, Inc. v. Graphon, Inc.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012) (“The two sections of part II that Congress has denominated ‘conditions of patentability’ are § 102 (‘novelty and loss of right to patent’) and § 103 (‘nonobvious subject matter’).”). At the outermost periphery, the Supreme Court previously suggested that another requirement – “utility” – is also a so-called “condition of patentability.” *Graham v. John Deere*, 282 U.S. 1, 12 (1966)³. But missing from both *Myspace* and *Graham* is any statement that “subject matter eligibility” is a “condition for patentability,” as used in Section 282(2).

As Rmail demonstrated in its Response, only Sections 102 and 103 are labeled to fall under Section 282(2), and thus supply a “condition for patentability” litigation defense. Any subject matter eligibility standard implied within Section 101 simply defines the USPTO’s statutory limits over what types of inventions are entitled to invoke the USPTO bureaucracy, for example, those for a new and useful “process.” Section 101 does not state the conditions under which such inventions are judged deserving of protection, once within the USPTO’s review. Thus, “subject matter eligibility” does not supply a litigation defense because “subject matter eligibility” is not a “condition for

³ The *Graham* Court explained that the original Patent Act of 1793 had only two conditions of patentability – novelty and utility. After tracing the origin of the novelty and utility requirement back to the writings of Thomas Jefferson, the *Graham* Court discussed how the newest Patent Act codified an additional (third) condition of patentability – nonobviousness. “The [1952 Patent] Act sets out the conditions of patentability in three sections. An analysis of the structure of these three sections indicates that patentability is dependent upon three explicit conditions: novelty and utility as articulated and defined in § 101 and § 102, and nonobviousness, the new statutory formulation, as set out in § 103.” *Id.*

patentability” in the Patent Act. It is instead the proverbial entry key into USPTO review of the “conditions for patentability.” That is not enough to make it an infringer-defense.

V. CONCLUSION

For these and all the reasons stated in Rmail’s previously-filed Response, Defendants’ motion for summary judgment should be denied.

Dated: May 31, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that counsel of record who are deemed to have consented to electronic service are being served this 31st day of May 2012, with a copy of this document via the Court's CM/ECF system per Local Rule CV-5-(a)(3).

/s/ Robert P. Greenspoon

Robert P. Greenspoon