

Appeal No. 2011-1301

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UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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**CLS BANK INTERNATIONAL,**  
Plaintiff-Appellee,  
**AND**  
**CLS SERVICES LTD.**  
Counterclaim-Defendant-Appellee,  
**v.**  
**ALICE CORPORATION PTY. LTD.**  
Defendant-Appellant.

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Appeal from the United States District Court for the District of Columbia in  
Case No. 07-CV-0974, Judge Rosemary M. Collyer.

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**BRIEF FOR THE UNITED STATES AS AMICUS CURIAE  
ON REHEARING EN BANC IN SUPPORT OF NEITHER PARTY**

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## I. STATEMENT OF INTEREST

Pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure, the United States respectfully submits this amicus brief on behalf of the United States Patent and Trademark Office (USPTO), whose views the Court invited, and other affected agencies of the federal government. The USPTO, an agency of the United States Department of Commerce, is “responsible for the granting and issuing of patents,” 35 U.S.C. § 2(a)(1), and for determining in the first instance whether a patent application claims subject matter that is patent eligible pursuant to 35 U.S.C. § 101. The government appreciates the opportunity to provide its views on an issue so central to the USPTO’s mission.

## II. SUMMARY OF THE ARGUMENT

The Supreme Court has clearly indicated in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), that the USPTO and the courts must approach the judicial exceptions to § 101 both more rigorously and more flexibly. The Supreme Court has also made clear that patent-eligibility is not amenable to bright-line, categorical rules. Accordingly, this Court should not attempt to devise a single “test” for the patent-eligibility of computer-implemented inventions. Rather, this Court should articulate a flexible legal inquiry to be applied in such cases under § 101. In the government’s view, *Mayo* and *Bilski* require courts to address § 101 challenges to

computer-implemented inventions by answering the following question: whether the challenged claim, properly construed, incorporates enough meaningful limitations to ensure that it amounts to more than a claim for the abstract idea itself. This formulation avoids the sort of categorical test rejected in *Bilski*, closely tracks the Supreme Court’s language in *Mayo*, and speaks directly to the underlying concerns that have animated the Supreme Court’s § 101 decisions.

After identifying the correct legal inquiry, this Court should further articulate a non-exhaustive list of factors drawn from this Court’s and the Supreme Court’s precedents and the relevant USPTO guidance – for example, whether the claim recites a computer solely for its generic functions of automating tasks – to aid district courts in resolving the § 101 inquiry on a case-by-case basis. In conducting that analysis, a district court should consider the significance of *all* claimed features, including any computer-implemented limitations, to determine whether the inclusion of those features in the claim sets forth a meaningful, practical application of the underlying concept, as opposed to a mere “drafting effort designed to monopolize [an abstract idea] itself.” *Mayo*, 132 S. Ct. at 1297. In many cases, this may require the court first to resolve issues of claim construction, including the resolution of any underlying factual disputes, because a district court cannot declare limitations recited in a claim to be insignificant under § 101 without first determining what those limitations actually mean. And,

because of the statutory presumption of validity, a court should not declare a claim invalid under § 101 as directed to an abstract idea unless the challenger demonstrates by clear and convincing evidence that any additional limitations in the claim are properly characterized as insignificant.

This Court should additionally hold that the particular form in which a claim is drafted does not determine whether the claim recites eligible subject matter. Most of the pertinent case law addressing the judicial exceptions to § 101 – and the USPTO’s guidance interpreting that case law – specifically addresses process claims. But, because claims relating to computer-implemented inventions can easily be recast in different formats, it should not matter whether the claim is recited as a process, a machine, or an article of manufacture. To accord significance under § 101 to such drafting differences would contravene the Supreme Court’s consistent admonition against “interpreting patent statutes in ways that make patent eligibility ‘depend simply on the draftsman’s art’ without reference to” the judicial exceptions to § 101. *Mayo*, 132 S. Ct. at 1294 (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978)).

On the facts of this case, the government recommends that this Court remand the matter to the district court for it to construe the relevant claim limitations and assess whether the claims, understood from the perspective of a person skilled in the art, embody a specific, practical application of an abstract



idea, or whether instead they amount to nothing more than a claim for an abstract idea (or an abstract idea artificially limited to a particular field of use). Because that inquiry may require the resolution of disputed questions of fact, a remand is appropriate. On remand, after construing the claims, the district court should resolve the patent-eligibility inquiry articulated by this Court in light of the statutory presumption of validity.

### III. ARGUMENT

#### A. **The “Abstract Idea” Exception To 35 U.S.C. § 101 Requires A Flexible Approach That Focuses On The Claim As Written And Properly Construed And That Should Be Conducted In Light Of The Presumption Of Validity.**

1. ***Bilski* and *Mayo* make clear that the USPTO’s longstanding approach to the eligibility of computer-implemented inventions is no longer sufficient.**

As all members of the panel in this case recognized, the abstract idea exception to § 101 is often difficult to apply because its boundaries are unclear. *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1348-49 (Fed. Cir. 2012) (“*CLS II*”) (panel majority); *id.* at 1359-60 (Prost, J., dissenting). That difficulty has persisted in patent law for as long as the Supreme Court has recognized that ideas and principles in the abstract are not properly subject to patent protection. *See Le Roy v. Tatham*, 55 U.S. (14 How.) 156, 174 (1852) (“The word *principle* is used by elementary writers on patent subjects, and sometimes in adjudications of courts, with such a want of precision in its application, as to mislead.”); *see also*

*Flook*, 437 U.S. at 589 (“The line between a patentable ‘process’ and an unpatentable ‘principle’ is not always clear.”).

Until recently, the Supreme Court had not spoken on § 101 patent eligibility for nearly three decades, since *Diamond v. Diehr*, 450 U.S. 175 (1981). During that period, both this Court and the USPTO articulated a variety of different tests (e.g., the “useful, concrete, and tangible result” test and the “machine-or-transformation” test) in an attempt to provide clear rules for courts and examiners to apply in evaluating patent eligibility pursuant to § 101. The Supreme Court’s recent decisions in *Bilski* and *Mayo*, however, make clear that categorical, bright-line tests for eligibility under § 101 are not appropriate. For example, *Bilski* stressed in rejecting the machine-or-transformation test as “the sole test” under § 101, 130 S. Ct. at 3227, that the Supreme Court does not wish to “adopt[] categorical rules that might have wide-ranging and unforeseen impacts,” *id.* at 3229; *see also id.* at 3227 (emphasizing that categorical rules are inconsistent with § 101’s role as a “dynamic provision designed to encompass new and unforeseen inventions” (quoting *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 135 (2001))); *Mayo*, 132 S. Ct. at 1294 (“Our conclusion rests upon an examination of the particular claims before us in light of the Court’s precedents.”).

In light of *Bilski* and *Mayo*, the government recognizes that its longstanding approach to the eligibility of computer-implemented inventions is no longer

sufficient. The recitation in a claim that (1) a method is implemented by a computer; (2) a system is computerized; or (3) a computer-readable medium causes a computer to perform certain steps no longer can serve as a virtually-dispositive indicator of patent eligibility. Although that approach had the benefit of simplicity and ease of administration, it is no longer viable after *Bilski* and *Mayo*. While computer implementation still serves as an important, useful investigative consideration, the Supreme Court has made clear that eligibility under § 101 requires a fact-bound, contextual, case-by-case judgment.

Nevertheless, it is critical to frame the pertinent inquiry under § 101 correctly – and to underscore the importance of claim construction and the statutory presumption of validity – in order to ensure that litigation under § 101 does not inadvertently undermine the patent system’s critical role in promoting progress in the useful arts of computer science and computer-implemented inventions. *See, e.g., Mayo*, 132 S. Ct. at 1293 (“The [Supreme] Court has recognized, however, that too broad an interpretation of this exclusionary principle could eviscerate patent law. For all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.”).

2. **The essential question under § 101 is whether the claim, properly construed, incorporates enough meaningful limitations to ensure that it amounts to more than a claim for the abstract idea itself.**

Rather than articulate any categorical “test,” this Court should articulate a flexible legal inquiry that courts and examiners should undertake when faced with the question whether an ostensibly computer-implemented invention is directed to a patent-ineligible abstract idea under § 101. In the government’s view, the case-by-case, contextual inquiry required by *Bilski* and *Mayo* is *whether the claim, properly construed, incorporates enough meaningful limitations to ensure that it amounts to more than a claim for the abstract idea itself*. To be “meaningful,” a limitation cannot be a mere field-of-use limitation, a tangential reference to technology, insignificant extra-solution activity, an ancillary data-gathering step, or the like. The goal of the inquiry is to determine whether the putative invention set forth in the claim constitutes a specific, practical application of an abstract idea, or whether instead it is effectively a claim on the abstract idea itself. This formulation avoids the sort of categorical test rejected in *Bilski*, closely tracks the Supreme Court’s language in *Mayo*, and speaks directly to the gamesmanship and “preemption” concerns that have animated the Supreme Court’s decisions under § 101 at least since *Gottschalk v. Benson*, 409 U.S. 63 (1972).

**3. This Court should identify a non-exhaustive list of factors for district courts and examiners to consider in resolving that essential question on a case-by-case basis.**

Because the abstract idea inquiry cannot be resolved through recourse to a bright-line rule, examiners and courts should resolve eligibility issues under § 101 through contextual, case-specific judgments regarding the proper scope of each challenged claim (considered as a whole) and the practical significance of the recited claim limitations in cabining the claims. In this manner, the abstract idea exception will gradually acquire more certain boundaries through the ordinary, common-law process of case-by-case examination and adjudication, guided by the expertise of this Court and the USPTO.

It would be both useful and appropriate, however, for this Court to identify a non-exhaustive list of relevant factors that may aid district courts and examiners in applying the inquiry above in particular cases. *Cf. Phillips v. AWH Corp.*, 415 F.3d 1303, 1324 (Fed. Cir. 2005) (en banc) (instructing that “guidelines” are appropriate in situations where “there is no magic formula or catechism”). The USPTO has described many relevant factors identified by this Court and the Supreme Court in its examiner guidance. For example, following *Bilski*, the USPTO issued its Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 Fed. Reg. 43922 (July 27, 2010) (“*Bilski* Guidance”). The *Bilski* Guidance recognized that “*Bilski* reaffirmed

*Diehr*'s holding that while an abstract idea, law of nature, or mathematical formula could not be patented, an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection." *Id.* at 43924 (internal quotation marks omitted) (emphasis in original). The *Bilski* Guidance noted that, although no court "has ever ruled that a method claim that lacked a machine or a transformation was patent-eligible," *Bilski* held open that possibility. *Id.*

The *Bilski* Guidance also described a flexible, factor-based approach to the abstract idea inquiry in light of the Supreme Court's rejection of categorical rules. For example, the *Bilski* Guidance indicated that a recitation of a machine that "meaningfully limits the execution of the steps" of a claim or "implements" the claimed invention would weigh in favor of patent eligibility, in contrast to being "merely nominally, insignificantly, or tangentially related to the performance of the steps." *Id.* at 43927. In addition, a claim that "is a mere statement of a general concept" would weigh against patent eligibility. *Id.*

After *Mayo*, the USPTO issued its 2012 Interim Procedure for Subject Matter Eligibility Analysis of Process Claims Involving Laws of Nature, *available at* [http://www.uspto.gov/patents/law/exam/2012\\_interim\\_guidance.pdf](http://www.uspto.gov/patents/law/exam/2012_interim_guidance.pdf) ("*Mayo* Guidance"). Although the *Mayo* Guidance was applied only to the "examination of process claims that involve laws of nature/natural correlations," *Mayo* Guidance

at 1, its concepts can readily be applied in the abstract idea context. Under the *Mayo* Guidance, the inventor must have “practically applied, or added something significant to, the [abstract idea] itself,” and the claim limitations in addition to the abstract idea must apply the abstract idea “in a significant way to impose a meaningful limit on the claim scope.” *Mayo* Guidance at 3. For example, merely “[a]ppending conventional steps, specified at a high level of generality, to [an abstract idea] does not make the claim patent-eligible.” *Mayo* Guidance at 5. In contrast, recitation of a computer “in more than general terms may be sufficient to limit the application to just one of several possible machines . . . such that the claim does not cover every substantial practical application” of an abstract idea and does not merely “limit the application to a certain technological environment.” *Id.*

Likewise, decisions from this Court identify a number of recurring considerations that bear on the patent-eligibility of computer-implemented inventions. *See, e.g., Bancorp Servs., LLC v. Sun Life Assurance Co.*, 687 F.3d 1266, 1278-79 (Fed. Cir. 2012); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Fort Props., Inc. v. Am. Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010) (“*RCT*”); *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010). For example, particularized improvements in computer science or the functioning of

computerized systems themselves, such as inventions “based on linear programming, data compression, and the manipulation of digital signals,” *Bilski*, 130 S. Ct. at 3227 (plurality opinion), digital imaging techniques, *see RCT*, 627 F.3d at 868-69, and GPS technology, *see SiRF*, 601 F.3d at 1333, are likely to be patent eligible, regardless of the claim format (e.g., machine, method, or computer-readable medium). That will not be universally true; *Benson* involved a claimed advance in computer science, for example, but the Supreme Court concluded that the claimed process would in substance preempt the public’s access to a fundamental mathematical algorithm. 409 U.S. at 68. Nevertheless, in claims directed to improvements in computer systems themselves, the recitation of a computer in the claims will often tend to “place[] a meaningful limit on the scope of the claims” such that a court may conclude that the invention is directed to more than merely an abstract idea. *SiRF*, 601 F.3d at 1332-33.

On the other hand, the mere fact that a computer may be a “necessary” element in the claim does not always render it a meaningful limitation for purposes of patent eligibility. *See, e.g., Benson*, 409 U.S. at 67-68. Just as “[i]t is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis,” *Diehr*, 450 U.S. at 188, it would be inappropriate to dissect the claims into computer-based and non-computer-based elements and focus only on the computer-based elements in the analysis. *As Mayo*



instructs, courts and examiners must consider whether the claim includes more than conventional, routine uses of a computer that do not meaningfully limit the claim. 132 S. Ct. at 1302.

Thus, for example, claims that do no more than merely recite the use of a computer for its ordinary functions of performing repetitive calculations, storing data, or automating routine tasks are less likely to be patent eligible. *See, e.g., Bancorp*, 687 F.3d at 1278-79 (holding that claims in which a computer is used “only for its most basic function, the performance of repetitive calculations, and as such does not impose meaningful limits on the scope of those claims,” were patent ineligible, unlike those in *RCT*, which were “dependent upon the computer components required to perform” the claimed “manipulation of computer data structures”); *CLS II*, 685 F.3d at 1351 (noting that “a claim that is drawn to a *specific way* of doing something with a computer is likely to be patent eligible whereas a claim to *nothing more than the idea* of doing that thing on a computer may not”) (emphases in original); *Dealertrack*, 674 F.3d at 1333 (holding that the term “computer aided” in the claim did not “impose a meaningful limit on the scope of the claim” because “[t]he claims are silent as to how a 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”); *CyberSource*, 654 F.3d at 1370 (holding that the recitation of “the Internet” and “an Internet address” in the claim

was insufficient for patent eligibility because “the Internet” could not perform the claim steps).

Taken together, the decisions of this Court and the Supreme Court indicate that at least the following factors will often bear on the patent-eligibility of computer-implemented inventions:

- whether the computer is recited in a manner that is only nominally or tangentially related to the performance of the invention (e.g., recording the results of a process on a computer), *see, e.g., Fort Props.*, 671 F.3d at 1323-24; *CyberSource*, 654 F.3d at 1370;
- whether the computer is generically recited in a manner that would encompass any machine capable of performing the claimed steps, or whether specific, unconventional computer equipment, tools, or processing capabilities are required, *see, e.g., Dealertrack*, 674 F.3d at 1333-34;
- whether the invention involves an improvement in the ability of the computer to function as a computer, or whether the invention relates principally to an unrelated, non-technological field (e.g., “instruct[ing] how business should be conducted,” *Bilski*, 130 S. Ct. at 3229);
- whether the claim recites a computerized device that manipulates particular data in particular, specific, and useful ways (e.g., rendering

a digital image as in *RCT* or processing GPS satellite signals to identify a discrete physical location on Earth as in *SIRF*), or whether the computer is recited solely for its generic functions of automating tasks or communicating over a distance (as in *Bancorp*);

- whether (as in *Diehr*) the abstract idea is bound up in an invention that effects a transformation of matter, or whether (as in *Benson* and *Flook*) the abstract idea is merely described in a particular environment; and
- whether the computer-related elements of the claim represent conventional steps, described at a high level of generality, that would have to be employed by any person who wished to apply the abstract idea, *cf. Mayo*, 132 S. Ct. at 1297-98.

These factors are meant to identify relevant considerations only, and are not intended to be exhaustive or talismanic. No particular factor or number of factors must weigh in favor of patent eligibility for a claim to satisfy § 101. Other factors might be identified over time, and different factors may be relevant in other technological contexts. Moreover, the factors will not carry equal probative weight in every case. Nevertheless, the government believes that this general approach to § 101 eligibility for computer-implemented inventions – a broad legal inquiry undertaken on a case-by-case basis with the aid of a non-exhaustive list of

probative factors – represents the best way to bring a measure of structure and discipline to the case-specific, contextual inquiry that the Supreme Court’s recent decisions have demanded.

By contrast, the government does not believe it is appropriate to impose a requirement of “manifest” abstractness for invalidity under § 101. *See, e.g., RCT*, 627 F.3d at 869 (stating that the exception is limited to ideas that are “manifestly abstract”); *CLS II*, 685 F.3d at 1352 (stating that the party challenging validity must show that it is “manifestly evident that a claim is directed to a patent ineligible abstract idea”). As discussed below, the statutory presumption of validity already requires a defendant attacking the validity of an issued patent in court to prove invalidity by more than a mere preponderance. An additional, substantive requirement of “manifest” abstractness under § 101 has no basis in the Supreme Court’s jurisprudence and would arguably be at odds with the exception itself, which prohibits patents on *all* abstract ideas, not just those that are manifestly abstract. *Cf. Mayo*, 132 S. Ct. at 1303-04; *Bilski*, 130 S. Ct. at 3225.

**4. The § 101 inquiry should focus on the actual language of each challenged claim, properly construed, not a paraphrase or parody of the claim.**

In describing the appropriate inquiry under § 101, this Court should make clear that the proper object of that inquiry is the actual language of each challenged claim, properly construed, just as it is for other validity challenges. As the panel

majority stressed, it is “fundamentally improper to paraphrase a claim in overly simplistic generalities” in assessing whether it is foreclosed under the abstract idea exception, because “[a]ny claim can be stripped down, or simplified, removing all of its concrete limitations, until at its core, something that could be characterized as an abstract idea is revealed.” *CLS II*, 685 F.3d at 1351; *see also Mayo*, 132 S. Ct. at 1293 (noting that “too broad” an application of the judicial exceptions could “eviscerate patent law”); *Diehr*, 450 U.S. at 189 n.12 (stating that an approach that permitted ignoring certain claim terms would, “if carried to its extreme, make all inventions unpatentable because all inventions can be reduced to underlying principles of nature which, once known, make their implementation obvious”).

Section 101 is not a license to paraphrase. When a district court is presented with a validity challenge under § 101, the court’s task is to determine whether the challenged claims, as granted by the USPTO and properly construed, are directed to an ineligible abstract idea, not whether some more simplistic or generalized version of those claims would be vulnerable to such a challenge. Any other approach would undermine the statutory requirement that the patent include claims that set forth “the subject matter which the inventor or a joint inventor regards as the invention.” 35 U.S.C. § 112(b); *see also, e.g., White v. Dunbar*, 119 U.S. 47, 52 (1886) (“The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the

public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms.”); *Phillips*, 415 F.3d at 1312. To be sure, as *Bilski* and *Mayo* make clear, the mere fact that a claim includes specific and particular limitations does not immunize the claim from invalidity under the § 101; some limitations may not practically limit the claim scope, and others may amount to mere data-gathering steps or insignificant post-solution activity. But the § 101 analysis must grapple with the meaningfulness of the claim limitations *as written and properly construed*, not a simplified or paraphrased version of the claim language.

For this reason, district courts should normally postpone resolution of § 101 validity challenges until after the relevant claim language has been construed. In *Mayo* and *Bilski*, there were no material disagreements over the construction of the claim terms. In *Mayo*, for example, the patent owner admitted that the additional limitations were well-known and essential to any use of the law of nature embodied in the claim. *See* 132 S. Ct. at 1297-98. But in many cases, the meaning of critical claim terms is disputed. In such cases, it should generally be inappropriate for a district court to grant summary judgment of invalidity under § 101 until it has construed the claims according to the usual principles of claim construction.

That may require the resolution of factual questions. For example, the abstract idea question may turn on whether persons skilled in the art would necessarily employ the claimed steps in order to make use of a particular abstract idea. *See id.* In addition, claim construction can have underlying factual elements. *See* Br. for United States as Amicus Curiae, *Retractable Techs. Inc. v. Becton, Dickinson & Co.*, No. 11-1154, at 20 (S. Ct.). This Court has typically treated § 101 challenges as pure questions of law. *See, e.g., CyberSource*, 654 F.3d at 1369 (“Issues of patent-eligible subject matter are questions of law and are reviewed without deference.”). Nevertheless, this Court has also recognized that the determinations underlying the ultimate patent-eligibility conclusion “may require findings of underlying facts specific to the particular subject matter and its mode of claiming.” *Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1055-56 (Fed. Cir. 1992).

Such an approach is particularly appropriate when, in light of *Mayo*, courts consider whether particular limitations in a claim are “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [abstract idea] itself.” 132 S. Ct. at 1294, 1297. The Supreme Court has noted that the term “inventive concept” is “sometimes” used to describe such an inquiry. *Id.* at 1294. But in the context of § 101, the government believes that term is more likely to mislead than to illuminate, *see id.* at 1294 (referring to the same inquiry without

using the term “inventive concept”); *see also In re Bergy*, 596 F.2d 952, 959 (CCPA 1979) (noting the “confusion” caused by terms like “inventive concept”). The Supreme Court’s use of the term “inventive concept” in *Mayo* focused on the significance and meaningfulness of claimed features. The Court determined that certain claim limitations were insignificant because they were essential to using the law of nature, and were so “well-understood, routine, [and] conventional” that they did not meaningfully limit the claim. *Id.* at 1299.

While *Mayo* suggests that there can be some overlap between novelty and patent eligibility under § 101 in certain cases, the ultimate question of whether an invention is novel under § 102 remains “wholly apart from whether the invention falls into a category of statutory subject matter.” *Diehr*, 450 U.S. at 189 (quoting *Bergy*, 596 F.2d at 961). Indeed, *Mayo* expressly rejected conflating the § 101 inquiry with the §§ 102 and 103 inquiries. 132 S. Ct. at 1303-04 (rejecting an approach that would render a patentability requirement “a dead letter”). The correct lesson to draw from *Mayo* is that a patent claim that prominently features a law of nature, abstract idea, or other ineligible subject matter must include enough additional, meaningful limitations to ensure that the claim does not, in effect, circumvent the judicial exceptions to § 101. For that inquiry, claim construction will often be necessary.



We do not intend to suggest that § 101 issues can never be resolved early in litigation. But a district court normally cannot declare a patent claim invalid without first determining what the claim language means. Furthermore, as the panel majority in this case correctly emphasized, district courts have broad discretion to manage their dockets and decide the order in which they resolve particular issues, including those that arise under § 101. *See CLS II*, 685 F.3d at 1348. The en banc decision in this case is likely to serve as an important reference for district courts faced with § 101 challenges to patent claims, and it would be helpful for this Court to reiterate that a district court is not required to address a § 101 question at the outset of a case just because that is the first issue framed for decision by the litigants.

As this Court stated in *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012), “courts could avoid the swamp of verbiage that is § 101 by exercising their inherent power to control the processes of litigation” and focusing on the conditions for patentability in 35 U.S.C. §§ 102, 103, and 112, where appropriate. As *Mayo* makes clear, § 101 performs a screening function that these other provisions do not. *See* 132 S. Ct. at 1303. But there is no necessary order that a district court must follow in addressing defenses raised in patent litigation. *Cf. Dann v. Johnston*, 425 U.S. 219, 220 (1976) (“Petitioner and respondent, as well as various Amici, have presented lengthy arguments addressed to [patent

eligibility pursuant to § 101]. We find no need to treat that question in this case, however, because we conclude that in any event respondent's system is unpatentable on grounds of obviousness.") (citations omitted). In the government's view, litigating the abstract idea exception before claim construction and without considering the other statutory conditions of patentability only tends to distort patent case management, invite flawed decisions, and leave this Court with an inadequate record for appellate review.

**5. The statutory presumption of validity applies in district court § 101 challenges.**

Finally, this Court should emphasize that the statutory presumption of validity applies in litigation under § 101, just as it does in other validity challenges. As the Supreme Court has stressed, an issued United States patent is presumed valid, 35 U.S.C. § 282(a), and a party challenging the validity of a patent in court bears the burden of demonstrating its invalidity by clear and convincing evidence. *See Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011). That is as true of invalidity challenges under § 101 as under any other provision of the Patent Act.

A party asserting the invalidity of a patent claim under the abstract idea exception must overcome the presumption of validity. That burden may be especially difficult to carry when the challenge depends on a factual showing that the limitations recited in the claim do not, in practice, impose any meaningful limitation on the claim scope. In such circumstances, a district court should not

invalidate a patent as directed to an abstract idea unless the challenger demonstrates – by clear and convincing evidence – that any additional limitations recited in the claim do not meaningfully limit the claim beyond the abstract idea itself.

**B. The § 101 Inquiry Does Not Depend On The Statutory Form Of The Claim.**

As the panel majority and dissent in this case both recognized, the § 101 inquiry “look[s] to the underlying invention for patent eligibility purposes,” not “the form of the claim.” *CLS II*, 685 F.3d at 1353 (quoting *CyberSource*, 654 F.3d at 1374); *see also id.* at 1360 (Prost, J., dissenting) (“I do not believe that we are free to decide that system claims may never be abstract. The Supreme Court has warned that patent eligibility does not depend simply on the draftsman’s art.” (internal quotation marks and alterations omitted)). To hold otherwise would exalt form over substance and allow patent eligibility to depend on the particular label chosen by the patent applicant. *See id.* at 1353 (“Labels are not determinative in § 101 inquiries . . . because the form of the claim is often an exercise in drafting.”) (quoting *In re Maucorps*, 609 F.2d 481, 485 (CCPA 1979)) (internal citation omitted and alteration in original); *see also Mayo*, 132 S. Ct. at 1294 (stating that *Benson* and *Flook* “warn us against interpreting patent statutes in ways that make patent eligibility ‘depend simply on the draftsman’s art’” (quoting *Flook*, 437 U.S. at 593); *Benson*, 409 U.S. at 67-68 (concluding that a § 101 principle applied to

product claims as well as process claims); *Bancorp*, 687 F.3d at 1277 (“As the Supreme Court has explained, the form of the claims should not trump basic issues of patentability.”); *In re Alappat*, 33 F.3d 1526, 1542 (Fed. Cir. 1994) (en banc) (suggesting that “the ‘mathematical algorithm’ exception applies to true apparatus claims” as well as process claims).

The Supreme Court jurisprudence addressing the judicial exceptions to § 101 and the USPTO’s guidance interpreting that case law both focus on process claims, not machine (e.g., “system”) claims or claims directed to an article of manufacture (e.g., “computer program product comprising a computer readable storage medium having computer readable program code embodied in the medium”). In many cases, “machine” and “manufacture” claims will by their nature tend to feature more concrete recitations of physical structure, and for that reason may be less likely as a class to trigger the abstract idea exception. But the same fundamental eligibility standards should apply to each category of patentable subject matter pursuant to § 101. That is particularly important in the context of claims for computer-implemented inventions, which often can easily be framed as claims for processes or machines. To treat such claims differently based on the particular statutory category of patent-eligible subject matter they happen to recite would invite the very gamesmanship that the Supreme Court rejected in *Mayo*.

In this case – but not necessarily in every case – the system and “computer program product” claims do not add anything of substance to the inventions claimed as methods. *See CLS II*, 685 F.3d at 1353 (holding that “the form of the claim *in this case* does not change the patent eligibility analysis under § 101”) (emphasis added). The system and computer program product claims recite essentially the same elements as the method claims, and Alice has not argued for any distinction between the patent eligibility of the claims based on additional details in the system and computer program product claims. Thus, they should stand or fall together under § 101.

**C. This Case Should Be Remanded To The District Court For Further Proceedings Under The Appropriate § 101 Standard.**

The district court did not construe the claims at issue in this case, nor did it apply the analysis set forth above. Its determination that the claimed “methods are directed to an abstract idea of employing an intermediary to facilitate simultaneous exchange of obligations in order to minimize risk,” *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 768 F. Supp. 2d 221, 243 (D.D.C. 2011) (“*CLSF*”), may have been different under the proper approach.

The panel majority determined that the claims are more limited in scope than the district court apparently believed. The panel interpreted the claims to require “shadow” credit and debit records that are maintained electronically in order to perform the method, as well as particular relationships between the parties to the

exchange, the intermediary, and the exchange institutions with the parties' accounts. *See CLS II*, 685 F.3d at 1355. The specification also describes those claimed features, as well as their involvement in the invention. *See, e.g.*, U.S. Patent No. 7,725,375, col. 29, ll. 3-22 (describing how the "shadow" records are maintained and updated); *id.*, col. 31, l. 49 – col. 32, l. 12 (describing the data transmitted to the exchange institutions to settle the transaction and update the relevant party's account). The district court did not conduct a full claim construction analysis. *See CLS I*, 768 F. Supp. 2d at 236 n.6 (noting that CLS agreed to assume a claim construction favorable to Alice for purposes of its summary judgment motion). Nor did it determine whether the limitations highlighted by the panel meaningfully cabin the claims to practical applications of an abstract idea.

The case should be remanded to the district court for it to consider whether the features identified by the panel majority significantly limit the claims such that they amount to more than merely a patent on the underlying abstract idea itself. *See Mayo*, 132 S. Ct. at 1294; *Bilski*, 130 S. Ct. at 3230. The parties on remand may dispute the appropriate construction of various claim terms. The parties may also dispute the meaning – and the significance – of other claim limitations, and the district court should consider whether any factual evidence would inform its § 101 analysis.

#### IV. CONCLUSION

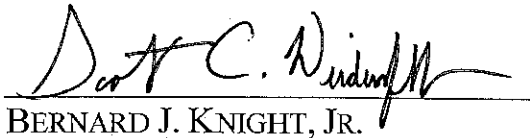
For the foregoing reasons, the judgment of the district court should be vacated and the case should be remanded to the district court for further proceedings.

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## CERTIFICATE OF SERVICE

I hereby certify that on December 14, 2012, I caused two copies of the foregoing BRIEF FOR THE UNITED STATES AS *AMICUS CURIAE* ON REHEARING EN BANC IN SUPPORT OF NEITHER PARTY to be sent by first-class mail to:

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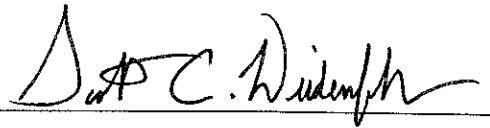
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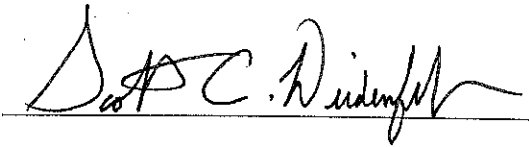
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