

No. 13-298

IN THE
Supreme Court of the United States

ALICE CORPORATION PTY., LTD.,

Petitioner,

v.

CLS BANK INTERNATIONAL AND CLS SERVICES LTD.,

Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

BRIEF IN OPPOSITION

MARK A. PERRY
Counsel of Record
BRIAN M. BUOKER
ALEXANDER N. HARRIS
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
mperry@gibsondunn.com

Counsel for Respondents

QUESTION PRESENTED

Absent an inventive concept, a method of performing well-understood economic activity is not patent-eligible under 35 U.S.C. § 101. *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012). The method, media, and system claims asserted here “simply recite how an electronic intermediary can be used to effectuate an almost infinite array of exchanges in the modern financial world” and, accordingly, would “effectively preempt the use of an electronic intermediary to guarantee exchanges across an incredible swath of the economic sector.” Pet. App. 218a, 220a. The question presented is:

Whether the en banc Federal Circuit correctly affirmed the district court’s judgment that all of the asserted claims are not patent-eligible under Section 101.

RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, undersigned counsel state that:

CLS UK Intermediate Holdings Ltd. is a publicly held corporation that owns 10% or more of the stock in CLS Bank International and CLS Services Ltd. In addition, CLS UK Intermediate Holdings Ltd. is owned (100%) by CLS Group Holdings AG.

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BRIEF IN OPPOSITION

Respondents CLS Bank International (“CLS Bank”) and CLS Services Ltd. (collectively, “CLS”) respectfully submit that the petition for a writ of certiorari should be denied because the judgments below are correct and because in any event the question presented would benefit from further percolation in the Federal Circuit, to which three new judges have been confirmed since the en banc decision in this case. If, however, the Court were to determine that the time is ripe to again review the patent-eligibility of computer-implemented claims under 35 U.S.C. § 101, then this case presents the best vehicle among the several recent decisions to have addressed variations on this theme.

STATEMENT

Petitioner Alice Corporation Pty. Ltd. owns four related patents that, as pertinent here, describe the economic activity of using an intermediary to mitigate settlement risk in financial transactions. The claims asserted against CLS recite computer-implemented methods of settling such transactions, as well as computer-readable media and generic computer systems capable of storing and running, respectively, programming instructions for performing the claimed method, although the patents do not disclose or claim the programming itself. The district court held that all of the asserted claims are patent-ineligible under 35 U.S.C. § 101 because they impermissibly attempt to monopolize the core economic idea of intermediated settlement, or escrow. Pet. App. 172a-238a. After a panel reversed in a 2-1 decision (*id.* at 132a-71a), the Federal Circuit granted rehearing en banc (*id.* at 239a-41a) and

issued a per curiam affirmance of the district court’s judgment (*id.* at 1a). In separate opinions, a 7-3 majority of the court agreed that Alice’s method and media claims are ineligible. *See id.* at 3a n.1 (opinion of Lourie, J.). As to Alice’s system claims, the district court’s judgment was affirmed by an equally divided court. *Id.* at 2a.

1. Section 101 sets forth the categories of patentable inventions (“new and useful process, machine, manufacture, or composition of matter”), and “contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (punctuation omitted); *see also, e.g., Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); *Parker v. Flook*, 437 U.S. 584, 589 (1978); *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

For example, patent claims drawn to “the basic concept of hedging, or protecting against risk” cover an abstract idea, and thus are not eligible for patenting even if “described” in a series of steps or “reduced to a mathematical formula.” *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010). Section 101 does not allow a patent on “a fundamental economic practice,” because it “would effectively grant a monopoly over an abstract idea.” *Ibid.* Moreover, a patentee cannot render an otherwise ineligible claim patentable by narrowing it “to one field of use or adding token postsolution components” (*ibid.*) or limiting it to “a particular technological environment.” *Id.* at 3230 (citation omitted). These “drafting effort[s],” like others, cannot transform an ineligible idea into an eligible patent claim. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct.

1289, 1301-03 (2012). This Court consistently has declined to construe “patent statutes in ways that make patent eligibility depend simply on the draftsman’s art without reference to the principles underlying the prohibition against patents for [abstract ideas].” *Id.* at 1294 (punctuation omitted).

This Court recently emphasized “that a process that focuses upon the use of” an abstract idea must “also contain other elements or a combination of elements, sometimes referred to as an ‘inventive concept,’ sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [abstract idea] itself.” *Mayo*, 132 S. Ct. at 1294. Requiring patentees to recite claim elements that contain “significantly more” than the idea itself (or, synonymously, an “inventive concept”) is grounded in “the basic underlying concern” that “patent law not inhibit further discovery by improperly tying up the future use of” abstract ideas. *Id.* at 1301-02. This “underlying functional concern,” which informs all of this Court’s Section 101 precedents, is “a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Id.* at 1303. The inventive concept requirement ensures that a patent cannot foreclose innovation out of proportion with its contribution to the Progress of Science and useful Arts. *Ibid.* This concern is the province of Section 101 because other sections of the Patent Act “are not equipped to” serve the same goal. *Id.* at 1304.

Because patents should contribute to technological progress rather than merely foreclose it, it is not “*enough*” to add “well-understood, routine, conventional” elements to an abstract idea. *Mayo*, 132 S. Ct. at 1297-98. Such conventional elements, by

definition, do not contribute to human knowledge; they might “narrow” the “principles” the claims “embody,” but “the creative value of the discovery” of such a narrow idea “is also considerably smaller.” *Id.* at 1303. Accordingly, the “bright-line prohibition against patenting” abstract ideas cannot be drafted around by adding routine elements, by limiting the claim to a particular technological environment, or by rephrasing it to cover the same scope by tricks such as breaking the claim into steps. *Ibid.* “[O]ne must do more than simply state the [abstract idea] while adding the words ‘apply it.’” *Id.* at 1294.

Courts implement Section 101 by analyzing the elements in the asserted patent claims—first identifying the abstract idea, law of nature, or natural product in the invention, and then asking, “[w]hat else is there in the claims before us?” *Mayo*, 132 S. Ct. at 1297. Each additional element is examined to see if it is “sufficient to transform the nature of the claim” and then all elements must be considered together “as an ordered combination.” *Id.* at 1297-98. Where the patent claims an abstract idea and the additional elements “consist of well-understood, routine, conventional activity already engaged in by the scientific community” such that those elements, “when viewed as a whole, add nothing significant beyond the sum of their parts taken separately,” then the claim is ineligible. *Id.* at 1298. A court following the methodology articulated in *Mayo* thus considers the claims “as a whole” (*ibid.*) and does not inappropriately “dissect the claims into old and new elements and then ... ignore the presence of the old elements in the analysis.” *Diehr*, 450 U.S. at 188.

2.a. Alice is the owner of U.S. Patents No. 5,970,479, 6,912,510, 7,149,720, and 7,725,375, al-

though there is no indication that it practices the claims asserted here. These patents share a “common specification” (Pet. 10; Pet. App. 154a), which describes multiple inventions, covered by two distinct sets of claims.

The first set of claims, which Alice *does not assert* in this litigation—claims 1-32 and 35-39 of the ’479 Patent—pertains to “the formulation of customized multi-party risk management contracts having a future time of maturity.” *See, e.g.*, ’479 Patent, claim 1. Most of the specification, and the great majority of the drawings, relates to this set of *unasserted* claims.

The second set of claims, which *are* at issue here—claims 33 and 34 of the ’479 Patent and all claims of the ’510, ’720, and ’375 Patents—focuses on a method for performing “a form of escrow” (Pet. App. 28a) designed to mitigate the risk that only one party to a transaction will perform its contractual obligations at settlement, as well as computer-readable media and computer systems capable of storing and running programming instructions for performing that escrow method: The ’479 and ’510 Patents contain method claims; the ’720 Patent contains system claims; and the ’375 Patent contains both system and media claims. The asserted claims are addressed in only limited portions of the specification. *See* ’479 Patent, col. 5:61-6:24, 7:32-8:42, 24:56-28:20; ’510 Patent, col. 5:21-5:23; 6:64-8:10, 28:43-32:6; ’720 Patent, col. 5:27-5:29; 5:60-6:18; 7:32-8:42, 29:4-32:35; ’375 Patent, col. 5:17-5:19; 5:50-6:8; 7:21-8:29, 28:60-32:24. In the court below, Alice maintained that Figures 25 and 33-37 of each patent (and no others) are associated with the asserted claims. *See* Alice Supp. C.A. Br. 31; *see also* ’479 Patent, col. 51:16-51:25, 52:57-53:47; ’510 Patent, col. 54:50-

54:59, 56:24-57:14; '720 Patent, col. 26:3-26:11, 57:43-58:33; '375 Patent, col. 55:44-55:53, 57:16-58:5 (discussing those drawings).

b. Chartered as an Edge Corporation under Section 25A of the Federal Reserve Act, CLS Bank was established in the late 1990s by the international banking community, in cooperation with a number of central banks, as a payment system to mitigate risk in the foreign exchange market. CLS Services is located in London and provides support and technology-related services to CLS Bank. Both respondents work to mitigate settlement risk—the risk that one counterparty will transfer its funds and the other will fail to do so—in global transactions by ensuring that both parties have fulfilled certain payment obligations under CLS Bank’s rules before directing the exchange of currencies.

CLS plays a critical role in the safety of the global currency exchange market. Following the collapse of Lehman Brothers in September 2008, for example, CLS ensured that the foreign exchange market continued to function without disruption—just months after it had settled a record \$10.3 trillion of transactions in one day. *See* CLS, History, www.cls-group.com/About/Pages/History.aspx (last visited Nov. 5, 2013). In July 2012, CLS Bank was one of the eight entities initially designated by the Financial Stability Oversight Council, which is chaired by the Secretary of the Treasury under the Dodd-Frank Act, as a “systemically important” financial market utility to the U.S. financial system. *See* Financial Stability Oversight Council Makes First Designations in Effort to Protect Against Future Financial Crises, www.treasury.gov/press-center/press-releases/pages/tg1645.aspx (July 18,

2012). In recognition of its systemic importance, CLS Bank has been issued similar designations in other jurisdictions as well. It also is subject to cooperative oversight by central banks from twenty-two countries pursuant to an arrangement coordinated by the Federal Reserve.

3. After Alice threatened a patent-infringement suit, CLS Bank initiated this declaratory judgment action to secure a judicial determination that Alice's patents are invalid and/or unenforceable, and that its business activities do not infringe any of those patents. Alice counterclaimed for infringement against both respondents, asserting claims 33 and 34 of the '479 Patent and all claims of the '510, '720, and (later) '375 Patents.

CLS and Alice filed cross-motions for summary judgment on whether the asserted claims are patent-ineligible. For that limited purpose, the parties stipulated that the '510 Patent "require[s] the use of a computer." Pet. App. 156a. No other claim limitations were disputed for purposes of the Section 101 analysis.

Following this Court's ruling in *Bilski*, the district court issued an exhaustive opinion concluding that the asserted claims are not patent-eligible because they recite "the abstract idea of employing an intermediary to facilitate simultaneous exchange of obligations in order to minimize risk"—*i.e.*, escrow—and the claimed "incarnation of this abstract idea on a computer" was an insufficient basis to award a patent monopoly. Pet. App. 214a, 231a.

With respect to the method claims, the district court determined that computer implementation "fails to limit" the abstract idea because the method "could be performed without use of a computer" and

the claims foreclosed the only practical means of implementing the idea. Pet. App. 210a, 221a. After extensively analyzing the asserted claims and their limitations, the district court concluded that the system claims too “represent merely the incarnation of this abstract idea on a computer” and “would preempt the use of the abstract concept” of escrow “on any computer, which is, as a practical matter, how these processes are likely to be applied.” *Id.* at 231a. The court found that the media claims “are also directed to the same abstract concept despite the fact they nominally recite a different category of invention under § 101.” *Id.* at 237a. The court accordingly granted respondents’ motion for summary judgment. *Id.* at 238a.

4. A divided panel of the Federal Circuit reversed. Judge Linn, joined by Judge O’Malley, concluded that it was not “manifestly evident that the claims are patent ineligible under § 101.” Pet. App. 160a. Judge Prost dissented. *Id.* at 160a-71a. All three members of the panel agreed that, in the context of the patents-in-suit, the system and media claims would stand or fall with the method claims. *Id.* at 154a, 168a-69a.

5. The Federal Circuit granted CLS’s petition for rehearing en banc, vacating the panel decision and requesting additional briefing. Pet. App. 239a-41a. In addition to the parties’ briefs, 26 amicus briefs—including one setting forth the views of the United States—were filed with the en banc court. After argument, the en banc Federal Circuit affirmed the district court’s judgment. *Id.* at 1a-2a.

The ten-member court, as then constituted, included nine active judges and Senior Judge Linn (the

author of the panel opinion). All ten judges joined a brief per curiam opinion and judgment stating:

Upon consideration en banc, a majority of the court affirms the district court’s holding that the asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101. An equally divided court affirms the district court’s holding that the asserted system claims are not directed to eligible subject matter under that statute.

AFFIRMED

Pet. App. 1a-2a.

In addition to this judgment order, members of the en banc court also issued six separate opinions, none of which commanded a majority.

a. In the lead opinion, Judge Lourie, writing for a five-member plurality, explained that petitioner’s claims draw on the “abstract idea” of “reducing settlement risk by facilitating a trade through third-party intermediation”—a form of the economic concept known as escrow. Pet. App. 28a. Moreover, “adding generic computer functions to facilitate performance provides no substantial limitation and therefore is not ‘enough’ to satisfy § 101” and its underlying concern that the patentee not foreclose more innovation than his contribution to progress could proportionally justify. *Id.* at 31a. The claims “formally drawn to physical objects”—the media and system claims—fared no better. *Id.* at 36a. They cover the same idea as the method claims and “provide for computer implementation at an incrementally reduced, though still striking level of generality”: They “recite a handful of computer components in generic, functional terms that would encompass

any device capable of performing” the computer-implemented methods. *Id.* at 37a.

b. Chief Judge Rader concurred-in-part and dissented-in-part. In an opinion joined in relevant part by Judge Moore, he agreed with the plurality that the method claims, as well as some of the claims formally drawn to physical objects—the media claims—were ineligible. Pet. App. 80a-85a. But he would have held the system claims patent-eligible. *Id.* at 41a-80a. He reasoned that those claims recited tangible components used in computers, such as a “data storage unit,” and that such physical things could not be an abstract concept. *Id.* at 70a. Further, he disagreed with the plurality that the eligibility inquiry should be informed by whether the claims contain an “inventive concept”: “whether a new process, machine, and so on is ‘inventive’ is not an issue under Section 101,” he contended. *Id.* at 45a-46a.

c. Judge Moore, joined by Chief Judge Rader along with Judges Linn and O’Malley, wrote a separate partial dissent. She noted (writing before *Myriad*) that this Court “has taken a number of [the Federal Circuit’s] recent decisions and, in each instance, concluded that the claims at issue were not patent-eligible,” which, she wrote, had the potential of “causing a free fall in the patent system.” Pet. App. 85a. The proper means of challenging claims to computer-implemented ideas is not Section 101, she reasoned, but the statute’s “other requirements for patent protection.” *Id.* at 99a. Because physical items could never be “abstract,” Judge Moore argued, claims to a tangible computer system were for that reason patent-eligible. *Id.* at 86a-87a, 97a.

d. Judges Linn and O'Malley dissented; they would have held all of the asserted claims patent-eligible. They reasoned that the parties' stipulation to a claim construction including computer implementation required the court to apply the limitations in the system claims to all other claims. Pet. App. 123a-24a. Because they agreed with Judges Rader and Moore that the system claims were eligible, the other claims were therefore eligible as well. *Id.* at 126a.

e. Judge Newman too dissented. She wrote that "Section 101 is not the appropriate vehicle for determining whether a particular technical advance is patentable"; rather, "when the subject matter is within the statutory classes in section 101, eligibility is established." Pet. App. 101a, 111a.

f. Finally, Chief Judge Rader offered some "additional reflections" concerning the history of Section 101 jurisprudence. Pet. App. 126a-31a.

ARGUMENT

The petition for a writ of certiorari should be denied, both because the judgments below are correct and because the issue of the patent-eligibility of computer-implemented inventions would benefit from further percolation in the Federal Circuit. If the Court is inclined to wade back into the Section 101 waters, however, this case presents an appropriate vehicle for further elucidating the patent-ineligibility of claims that recite an abstract economic idea implemented using a generic computer.

**I. THE COURT OF APPEALS CORRECTLY
CONCLUDED THAT THE ASSERTED CLAIMS
ARE NOT PATENT ELIGIBLE**

The claims asserted here, like the patent application in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), easily “can be rejected under [the Court’s] precedents on the unpatentability of abstract ideas.” *Id.* at 3231. As both principal opinions below recognized, Alice’s claims recite the abstract economic concept of intermediated settlement, or “escrow.” Pet. App. 28a (opinion of Lourie, J.), 82a (opinion of Rader, C.J.). That they are implemented using a generic computer adds nothing to patent-eligibility.

A. The Method Claims Are Ineligible

As a clear majority of the en banc Federal Circuit—seven of the ten judges who heard this appeal—agreed, Alice’s method claims are patent-ineligible under this Court’s precedents. *See* Pet. App. 3a n.1 (opinion of Lourie, J.).

1. Alice’s method claims are conceptually indistinguishable from those this Court held ineligible in *Bilski*. Both Alice’s patents and Bilski’s patent application cover a “fundamental economic practice.” 130 S. Ct. at 3231. In Bilski’s claims, that economic concept was “hedging,” while in Alice’s claims it is a different form of “protecting against risk” (*ibid.*), namely “a form of escrow.” Pet. App. 28a (opinion of Lourie, J.). But the claims are logically and legally indistinguishable from one another. *See* CLS Supp. C.A. Br. 38 (chart comparing claim limitations in Bilski’s application and Alice’s patents). Although the principal opinions below differ from one another in certain respects, on this point they are in agreement.

a. As Judge Lourie explained for the plurality, the claims “presented here closely resemble those in *Bilski*.” Pet. App. 31a. Both “explain[] a ‘basic concept of ... protecting against risk.’” *Ibid.* (quoting *Bilski*, 130 S. Ct. at 3231). Indeed, as Judge Prost explained, the idea of escrow that Alice claims “is not just abstract; it is also literally ancient.” *Id.* at 163a. Alice’s claims, like *Bilski*’s, explain this “basic concept” by breaking it into steps. The claims recite the “creat[ion]” and “adjustment” of “shadow records,” which then serve as the basis for “instruct[ions]” to reconcile with real-world accounts. *Id.* at 26a-27a (opinion of Lourie, J.). But although they use many words, the “extravagant language” of Alice’s claims just describes an “escrow arrangement.” *Id.* at 30a.

Thus, Judge Lourie continued, “[a]s in *Bilski*, upholding Alice’s claims to methods of financial intermediation ‘would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.’” Pet. App. 31a (quoting *Bilski*, 130 S. Ct. at 3231). Reciting a computer does not practically limit the scope of the claims. *Id.* at 29a-30a. Although Alice’s claims “could be performed without use of a computer,” as its expert conceded in the district court (*id.* at 210a), Alice’s claims—like *Bilski*’s—require computer implementation as a *practical* matter. In *Bilski*, “any practicable embodiment would be conducted with the aid of a machine—a programmed computer.” *In re Bilski*, 545 F.3d 943, 996 (Fed. Cir. 2008) (en banc) (Newman, J., dissenting). In this case too, “essentially all practical, real-world applications of the abstract idea implicated here would rely, at some level, on basic computer functions.” Pet. App. 29a (opinion of Lourie, J.). To be sure, here the parties stipulated to this practical necessity for computer implementation, rather than

leaving it implicit. In the district court, “the parties agreed for purposes of deciding their summary judgment motions that Alice’s claims should all be interpreted to require a computer.” *Id.* at 6a. But the effect is the same: both Bilski’s and Alice’s claims would foreclose the public from using any practical application of a fundamental economic concept, namely one that uses a computer.

b. Chief Judge Rader (joined by Judge Moore) agreed with the plurality that Alice’s claims “describe[] the general and theoretical concept of using a neutral intermediary in exchange transactions to reduce risk that one party will not honor the deal, *i.e.*, an escrow arrangement.” Pet. App. 82a. Indeed, he noted that “[t]he record in this case shows that this area of art has used the fundamental concept of an intermediary in this context for centuries, if not longer.” *Ibid.* He further agreed that, although Alice’s method claims, like Bilski’s, are broken into steps—they do not “simply state ‘use an escrow’” (*ibid.*) or “use hedging”—that drafting trick does not suffice to confer patent-eligibility. *Id.* at 83a. Because “each step individually recites merely a general step inherent within the concept of an escrow,” those steps do not add anything to the analysis. *Ibid.*

Accordingly, in analyzing the method (and media) claims, Chief Judge Rader and Judge Moore acknowledged that, “[v]iewed as a whole, the claim[s] [are] indistinguishable from the claim in *Bilski*.” Pet. App. 84a.

2. Although *Bilski* is sufficient to sustain the judgment below, that outcome also is dictated by this Court’s further explication of the eligibility inquiry two Terms ago in *Mayo Collaborative Services v.*

Prometheus Laboratories, Inc., 132 S. Ct. 1289 (2012). In *Mayo*, the Court explained that merely adding conventional elements to an abstract idea, without a contribution to the Progress of Science and useful Arts proportional to the amount of innovation foreclosed, cannot render a claim patent-eligible. *Id.* at 1301-03. Even if the patentee has recited an “important and useful” advancement, the patent will not clear the Section 101 threshold without “an act of invention.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2117 (2013).

Alice fails to acknowledge that *Mayo* both refined and applied the methodology for analyzing eligibility under Section 101, requiring a court to examine each element individually and then all elements together as a whole for an “inventive concept” that would contribute “significantly more” than the abstract idea itself. *Mayo*, 132 S. Ct. at 1294, 1297-98. Following this methodology, Judge Lourie held that Alice’s claims did not contain significantly more than the abstract idea of escrow. Pet. App. 20a-41a. (Chief Judge Rader, in contrast, did not apply *Mayo* in his separate opinion. *Id.* at 64a-65a.)

Alice’s claims involve using a computer to create artificial ledger entries (sometimes referred to as “shadow records”), adjusting them, and then reconciling them with real-world accounts. Rather than adding limitations beyond the abstract idea, the steps of creating, adjusting, and reconciling the shadow records are just a way of *stating* the abstract idea of escrow. At most, creating a record is mere pre-solution data-gathering activity. Similarly, providing end-of-the-day instructions—which are simply instructions to reconcile the real-world account with the intermediary’s ledger—is mere

post-solution data-sharing activity. Adjusting the shadow records is the idea itself. Pet. App. 30a-31a (opinion of Lourie, J.). Moreover, the use of a general-purpose computer to create, adjust, and reconcile records is (and was at the time the patent application was filed and the time the patent issued) conventional. *Id.* at 29a-30a, 37a, 40a-41a; *see also Gottschalk v. Benson*, 409 U.S. 63, 71 (1972).

It is inconceivable that the outcome in *Mayo* would have been different if the diagnostic method at issue also recited “use a computer.” Such use of a computer undoubtedly would have improved the speed and accuracy of the diagnostic method at issue there. But while generic computers are useful tools in the modern workplace and laboratory, they are ubiquitous; reciting them in a patent claim (without more) adds no more to patent-eligibility than reciting the use of a slide rule or protractor or sextant or any other conventional implement of the relevant art. The art here (economic transactions) frequently employs calculating devices including computers due to the speed, magnitude, or complexity of calculations, although all of them can be done (with more time) using pencil and paper—as the district court expressly recognized. Pet. App. 210a-11a (citing Alice’s expert). The mere recitation of a generic computer adds nothing to the eligibility of an otherwise ineligible method.

It is for this reason that Alice’s analogy (Pet. 26) to the rubber-curing machine in *Diamond v. Diehr*, 450 U.S. 175 (1981), is off-base: the process there added to the abstract idea of Arrhenius’ equation more than “well-understood, routine, conventional activity, previously engaged in by those in the field.” *Mayo*, 132 S. Ct. at 1299. For example, the claims in

Diehr required continual measurement of the temperature inside the press, which “the industry ha[d] not been able to” achieve before. 450 U.S. at 178 & n.3. These steps thus “added to the formula something that in terms of patent law’s objectives had significance—they transformed the process into an inventive application of the formula.” *Mayo*, 132 S. Ct. at 1299. In contrast, the claims here add nothing to the abstract idea of escrow other than the recited use of a conventional generic computer—much as the claims in *Parker v. Flook* added only “conventional methods of changing alarm limits” to a “mathematical algorithm.” 437 U.S. 584, 586 (1978). That does not suffice: Just as “one must do more than simply state [a] law of nature while adding the words ‘apply it’” (*Mayo*, 132 S. Ct. at 1294), one must do more than simply state an abstract idea while adding words that amount to “compute it.”

B. The System And Media Claims Are Ineligible

The system and media claims asserted by Alice in this case are ineligible for the same reason as the asserted method claims. Eight of the ten judges participating in the decision below agreed that all the asserted claims should stand or fall together, regardless of statutory category. *See* Pet. App. 3a n.1 (opinion of Lourie, J.). That is correct in the context of these patents.

This Court has recognized that it is a simple task to “draft” one’s “patent claims to describe” either “a method” or “an apparatus.” *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 629 (2008). Indeed, “[a]pparatus and method claims may approach each other so nearly that it will be difficult to distinguish the process from the function of the apparatus.”

Ibid. (internal quotation marks omitted). Eligibility under Section 101 does not (and cannot) turn on claim form: This Court’s “cases warn us against interpreting patent statutes in ways that make patent eligibility depend simply on the draftsman’s art.” *Mayo*, 132 S. Ct. at 1294 (internal quotation marks omitted).

This case demonstrates why the draftsman’s art cannot transform an ineligible method claim into an eligible system or media claim. The media and system claims suffer the same weaknesses as the method claims. The components they describe in functional terms—such as “a computer readable storage medium” (in the language of the media claims) or “a data storage unit” (in the language of the system claims)—are generic, and found in every modern computing device. Pet. App. 33a, 37a, 39a (opinion of Lourie, J.). The additional requirements of the media and system claims—such as a hard drive—are conventional, not inventive.

Both system and media claims are drawn to the same statutory categories, covering tangible objects—a “machine, manufacture, or composition of matter.” 35 U.S.C. § 101. Indeed, the media claims’ “computer readable storage medium” and the system claims’ “data storage unit” could be the *same* generic hardware component—a hard drive or other means for storing the program for performing the claimed method.

Alice conceded below that “the exceptions to patent eligibility, including the ‘abstract idea’ exception, apply with equal force to claims drawn to the four different statutory categories.” Alice Supp. C.A. Br. 46 (citing *Benson*, 409 U.S. at 67-68). Alice admitted that its media claims must stand or fall

with its method claims (*id.* at 49-50 & n.3), and yet argued that its “computer system claims are patent-eligible *because they claim tangible machines, irrespective of what the computer is configured to do*” (*id.* at 35 (emphasis added)). At that level of generality, Alice has to be wrong: Otherwise every abstract idea could be patented by the trivial expedient of coupling the idea with generic computing devices in the claims.

Alice has never satisfactorily explained how its ineligible media claims could be transmogrified into eligible system claims simply by adding a generic computer processor to the media claims’ generic means of data storage. (Nor did Chief Judge Rader and Judge Moore, the only two members of the en banc Federal Circuit to conclude that the eligibility of Alice’s claims varied by statutory category. *See* Pet. App. 41a-99a.) As the Federal Circuit has recently reaffirmed, “simply implementing an abstract concept on a computer, without meaningful limitations to that concept, does not transform a patent-ineligible claim into a patent-eligible one.” *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1345 (Fed. Cir. 2013) (citing *Bancorp Servs., LLC. v. Sun Life Assurance Co. of Can. (U.S.)*, 687 F.3d 1266, 1280 (Fed. Cir. 2012)). Just as Benson’s attempt to tie his claim to a common physical computer component of the day (a “reentrant shift register”) failed to render his claim 8 patent-eligible (409 U.S. at 71-73), so too Alice’s attempt to tie its claim to today’s even more pedestrian generic computer fails to render its claims eligible. Tangibility does not equate to eligibility.

C. The Judgments Below Serve The Objectives Of Section 101

The judgments here advance the constitutionally grounded policy concerns underlying Section 101: ensuring that a patentee cannot preclude an entire realm of future innovation while contributing very little to the development of those inventions. *See* Mark A. Lemley et al., *Life After Bilski*, 63 Stan. L. Rev. 1315, 1317 (2011) (“what really matters” in the Section 101 analysis is “whether the scope of the patentee’s claims is commensurate with the invention’s practical, real-world contribution”). That goal emanates from the Constitution’s grant of congressional power to protect intellectual property:

Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must “promote the Progress of ... useful Arts.” This is the *standard* expressed in the Constitution and it may not be ignored. And it is in this light that patent validity requires reference to a standard written into the Constitution.

Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 6 (1966) (internal quotation marks omitted).

A determination that any of the claims asserted here are patent-eligible would hamper, rather than promote, technological advancement. If a person could lay claim to future innovations just by recording the *idea* for such innovations in a patent application, the exclusive right the patentee obtained would destroy the incentive to actually develop viable products. Lemley, *supra*, at 1331; *see also*

O'Reilly v. Morse, 56 U.S. (15 How.) 62, 115-20 (1853).

Only Section 101 is “equipped” to perform the “screening function” of weeding out patents that preempt too much innovation “relative” to their contribution. *Mayo*, 132 S. Ct. at 1303-04. Sections 102 and 103 ensure that the claim is sufficiently distinct from the prior art; they do not enforce the “bright-line prohibition against patenting laws of nature, mathematical formulas and the like.” *Id.* at 1303. And “enablement does not provide enough of a limitation on scope as the level of skill in the art goes up”; the eligibility question is “not whether one could make the embodiments claimed, but rather whether the inventor has contributed enough to merit a claim so broad that others will be locked out.” Lemley, *supra*, at 1330. As this Court has summarized, Section 112 does not address the risk that underlies the eligibility “exception, namely the risk that a patent on the law would significantly impede future innovation.” *Mayo*, 132 S. Ct. at 1304 (citing Prof. Lemley’s analysis on this issue). Thus, while the inquiries under Sections 101, 102, 103, and 112 “might sometimes overlap,” the latter provisions “are not equipped” to supplant the eligibility determination required by Section 101. *Id.* at 1304.

In the context of information technology, it is especially important that patents should protect those who contribute, not those who merely describe. As a group of innovative companies explained to the en banc Federal Circuit, patents like Alice’s contribute only the “easy” task of “think[ing] of abstract ideas about what a computer or website should do,” but “leave to others the truly innovative work of developing applications of the idea.” Google et al. Supp.

C.A. Br. 23-24; *see also* BSA | The Software Alliance Supp. C.A. Br. 15-25. That is the outcome Section 101 is designed to prevent.

Although Alice observes that its common specification “contains flowcharts that provide algorithm support for the specific programming to implement functions recited in the claims” (Pet. 10), those diagrams do not refer to the *asserted* claims. As is common practice today, the patentee wrote a broad specification covering multiple inventions, which are described in separate sets of claims. *See Stiftung v. Renishaw PLC*, 945 F.2d 1173, 1181 (Fed. Cir. 1991). The patent drawings illustrate the operation of *non-asserted* claims involving “the formulation of customized multi-party risk management contracts having a future time of maturity.” *See, e.g.*, ’479 Patent, claim 1. They include flowcharts dealing with, for example, “[p]ick[ing] [the] lowest priced counterparty” from a “short list” (Pet. App. 96a (opinion of Moore, J.)) based on factors such as the “matching counterpart[ies]” “consideration” to *form* (rather than settle) an “order” (*id.* at 75a (opinion of Rader, C.J.)). This language pertains to the non-asserted contract “formulation” claims, which recite, for example, “pricing and matching contracts” by “calculating a counter-consideration” in order “to match an offered contract with at least one of said counter-party stakeholders.” ’479 Patent, claim 1. In the court below, Alice identified all of the drawings that pertain to the asserted claims (*see* Alice Supp. C.A. Br. 31), and the flowcharts reproduced in the dissenting opinions below (Pet. App. 74a-76a, 96a-97a) are not among them.

Similarly unsupported is Alice’s assertion that the patent applicant, Ian Shepherd, “built” any

embodiment of the claimed system. Pet. 6. The record contains no evidence (or even allegation) of such an event, and in recounting the history of the invention to the district court Alice stated only that Shepherd “conceived” of the *idea* for the system. C.A. J.A. 113-14. Shepherd, like *Bilski*, wrote “concept” patents describing an *idea* to perform a fundamental economic process. The process itself has existed for “centuries” (Pet. App. 82a (opinion of Rader, C.J.)); there is nothing inventive in the asserted claims. Alice’s patents recite nothing other than a business method and the generic hardware to store and perform that method; but the programming is not disclosed—because it was not invented by the patent applicant, and to this day there is no indication that Alice practices the asserted claims.

Alice’s patents do not contribute anything to society, but rather seek to foreclose well-understood and conventionally utilized mechanisms for resolving financial transactions involving “an infinite array of tangible and intangible representations of value.” Pet. App. 219a. Because, as the district court found, such transactions “are increasingly likely to be monopolized by electronic and computer implementation and storage, the fact these claims are implemented electronically fails to limit the methods.” *Id.* at 221a. Moreover, Alice’s patents are not even “limited to any particular industry,” but rather sweep “across an incredible swath of the economic sector.” *Id.* at 218a, 221a. They exemplify the concern expressed by this Court that a patent not “pre-empt” the practical use of an abstract idea. *Diehr*, 450 U.S. at 187; *Flook*, 437 U.S. at 589-90; *Benson*, 409 U.S. at 71-72; *Morse*, 56 U.S. (15 How.) at 117.

Alice’s claims could be held patent-eligible only if this Court were willing to sanction a return to the period during which the exception to Section 101 was “a dead letter.” *Mayo*, 132 S. Ct. at 1303. This Court has repeatedly, and unanimously, declined to sound such a retreat—and for good reason. *See id.* at 1303-05; *Myriad*, 133 S. Ct. at 2116-19.

II. THIS COURT’S REVIEW IS NOT NEEDED NOW

Although the Federal Circuit split evenly as to *one* statutory class of claims asserted here, a clear majority of the judges agreed that Alice’s media and method claims were ineligible and a clear majority agreed that those claims must stand or fall together with the system claims. Pet. App. 3a n.1 (opinion of Lourie, J.). To the extent there are some differences in the rationales set forth in the various opinions, they will be—and already are being—sorted out by the Federal Circuit itself.

1. This Court regularly denies review of issues that divide a court of appeals, including when it sits en banc. *See, e.g., Sch. Dist. of City of Pontiac v. Duncan*, 130 S. Ct. 3385 (2010); *Edwards v. Kenyon*, 552 U.S. 1038 (2007); *Childress v. City of Richmond*, 524 U.S. 927 (1998); *Battle v. Lubrizol Corp.*, 466 U.S. 931 (1984); *Roesch, Inc. v. Star Cooler Corp.*, 466 U.S. 926 (1984); *Mandel v. United States*, 445 U.S. 961 (1980); *Clavey v. United States*, 439 U.S. 954 (1978); *Gordon v. United States*, 422 U.S. 1057 (1975). If anything, an evenly divided en banc panel shows that further development in the court of appeals is warranted before this Court should undertake review. “It is primarily the task of a Court of Appeals to reconcile its internal difficulties.” *Wisniewski v. United States*, 353 U.S. 901, 902 (1957) (per curiam).

Since this case was argued below, three more judges (Judges Taranto, Chen, and Hughes) have been confirmed and sworn into the Federal Circuit, giving the court its full complement of active judges. These new members have not yet had the opportunity to address questions of patent-eligibility. They come from diverse backgrounds—Judge Taranto was an appellate litigator in private practice; Judge Chen was solicitor of the PTO; and Judge Hughes was a career attorney in the Justice Department’s commercial litigation branch—and may provide fresh perspectives on the issues. The addition of these three judges answers Alice’s lament that the Federal Circuit is “hopelessly fractured” (Pet. 20); the reconstituted court is capable of settling its own internal divisions.

United States v. Weaselhead is instructive. In that case, the en banc Eighth Circuit divided 5-5 on the question whether the Double Jeopardy Clause forbade prosecution of a non-tribal member by both a tribal court and a federal court. 165 F.3d 1209 (8th Cir. 1999) (en banc) (per curiam). This Court denied review. 528 U.S. 829 (1999). Four years later, after Judges Beam, Fagg, and Richard S. Arnold took senior status and Judges Bye, Riley, Mellow, and Smith joined the court, the Eighth Circuit again sat en banc and resolved the issue 7-4. *See United States v. Lara*, 324 F.3d 635 (8th Cir. 2003) (en banc). At that point, this Court granted review. *See* 539 U.S. 987 (2003). Similarly, in *Hayden v. Pataki*, the en banc Second Circuit resolved an issue that had previously resulted in an en banc tie. 449 F.3d 305, 313 (2d Cir. 2006) (en banc) (citing *Baker v. Pataki*, 85 F.3d 919 (2d Cir. 1996) (en banc) (per curiam)). Here, three new judges have joined the appellate court and Senior Judge Linn is unlikely to

participate in future en banc decisions. The Court should give the newly constituted Federal Circuit the opportunity to resolve any open issues in the first instance.

2. The Federal Circuit has issued two precedential decisions in the months following the en banc decision in this case. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013) (“*Ultramercial I*”); *Accenture*, 728 F.3d 1336. One holds the claims at issue eligible, and the other holds them ineligible. See *Ultramercial II*, 722 F.3d at 1354; *Accenture*, 728 F.3d at 1346. Judge Lourie sat on both panels, and found Ultramercial’s claims eligible but Accenture’s ineligible. He explained why the same rule of law, requiring “significantly more than the underlying abstract concept,” supports both outcomes. *Accenture*, 728 F.3d at 1345 (internal quotation marks omitted). Chief Judge Rader also sat on both panels.

To be sure, in the two cases, Judge Lourie and Chief Judge Rader reiterated their differing articulations of the eligibility test. Compare *Ultramercial II*, 722 F.3d at 1342 (“because eligibility requires assessing judicially recognized exceptions against a broad and deliberately expanded statutory grant, one of the principles that must guide our inquiry is these exceptions should apply narrowly”), with *Accenture*, 728 F.3d at 1341 (“the court must determine whether the claim poses any risk of preempting an abstract idea”) (internal quotation marks omitted). In particular, these two jurists continue to approach differently *Mayo*’s requirement for an “inventive concept” contributing “significantly more” than an abstract idea. Compare *Ultramercial II*, 722 F.3d at 1348 (“the Supreme Court’s reference to ‘inventiveness’ in *Prometheus* can be read as shorthand for its inquiry

into whether implementing the abstract idea in the context of the claimed invention inherently requires the recited steps”), *with Accenture*, 728 F.3d at 1345 (“Accenture’s claims do not contain significantly more than the underlying abstract concept”) (internal quotation marks omitted).

Still, the new decisions do answer some questions left open after the en banc decision in this case. They each resolve different aspects of eligibility jurisprudence: *Ultramercial II* provides guidance on the appropriate procedural posture for raising the issue (722 F.3d at 1338-40), and *Accenture* explains when system claims are ineligible by virtue of their similarity to ineligible method claims (728 F.3d at 1340-44). Moreover, a petition for rehearing en banc has been filed in *Accenture* and the Federal Circuit recently requested a response to that petition.

A number of other cases presenting patent-eligibility issues remain pending in the Federal Circuit. In one case, the court summarily affirmed a dismissal on the ground that the patents were ineligible for claiming a computer-implemented economic idea. *Sinclair-Allison, Inc. v. Fifth Ave. Physician Servs., LLC*, — F. App’x —, 2013 WL 5094521 (Fed. Cir. 2013) (per curiam). Two others present patents that the district court held ineligible for claiming a computer-implemented economic idea. *OIP Techs., Inc. v. Amazon.com, Inc.*, No. 12-1696 (Fed. Cir.) and *Fed. Home Loan Mortg. Corp. v. Graff/Ross Holdings LLP*, No. 13-1067 (Fed. Cir.). Although the Federal Circuit has stayed both of these cases until this Court disposes of Alice’s certiorari petition, denial would permit these cases to move forward and allow the Federal Circuit to resolve any lingering questions following the decision below. Still others

have progressed far toward decisions. See, e.g., *CyberFone Sys., LLC v. CNN Interactive Grp., Inc.*, No. 12-1673 (Fed. Cir.) (argued Nov. 4, 2013); *SmartGene, Inc. v. Advanced Biological Labs., SA*, No. 13-1186 (Fed. Cir.) (to be argued Dec. 2, 2013); *Cardpool, Inc. v. Plastic Jungle, Inc.*, No. 13-1227 (Fed. Cir.) (briefing completed Oct. 3, 2013); *buySAFE, Inc. v. Google, Inc.*, No. 13-1575 (Fed. Cir.) (appellant's brief filed Oct. 21, 2013). Many of these cases—*OIP*, *Sinclair-Allison*, *CyberFone*, *SmartGene*, and *buySAFE*—involve apparatus claims as well as process claims. Together, they present the prospect of further development of eligibility law in the Federal Circuit in the realm of computer-implemented claims.

3. This developing line of authority also answers Judge Moore's concern that the decision below could lead to "the death of hundreds of thousands of patents." Pet. App. 85a. The Federal Circuit's affirmance of the district court's (correct) judgment that the asserted claims of Alice's patents are ineligible under Section 101 has not resulted in the wholesale ineligibility of computer-implemented business method patents. The Federal Circuit continues to evaluate the particular patents before it on a case-by-case basis, finding some eligible and others ineligible. Compare *Ultramercial II*, 722 F.3d at 1355, with *Accenture*, 728 F.3d at 1346. Nor does the decision below speak broadly to the eligibility of "software patents." In this case, Alice does not purport to claim a new software invention; rather, the asserted claims describe a business method and generic hardware for implementing the method, without any programming instructions.

Moreover, the judgment below has not compromised the PTO's ability to evaluate patent applications claiming computer-implemented methods. Shortly after the Federal Circuit's decision, the PTO concluded that it need not materially alter its post-*Bilski* guidance for examining applications containing such claims. Memorandum from Andrew H. Hirshfeld, Deputy Commissioner for Patent Examination Policy, to Patent Examining Corps (May 13, 2013) (noting "agreement" among the Federal Circuit judges on "several important themes," including that one must analyze "the claim as a whole" to determine if "additional limitations add significantly more" than "the abstract idea"). Furthermore, Congress recently enacted legislation authorizing a new administrative review procedure for certain issued business method patents. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-31; 37 C.F.R. §§ 42.300-42.304. This should allow the PTO additional opportunity to evaluate the patent-eligibility of computer-implemented methods.

Such case-by-case evolution is precisely what this Court's Section 101 precedents require. This Court has instructed that bright-line tests are inappropriate to determine patent-eligibility, which is better suited for case-by-case analysis and development. *Bilski*, 130 S. Ct. at 3231 (deciding the case before it on the basis of existing precedent and leaving "the Federal Circuit's development" of Section 101 to "its case law," rather than through "an exclusive ... test"). Underscoring this point, the PTO has said that it too is willing to await future "case-by-case" development, rather than setting out "a rigid, bright line test." Hirshfeld Memo, *supra*. To the extent petitioners and their amici complain of "uncertainty" resulting from the decision below, they are really just com-

plaining of the incremental approach this Court has adopted for Section 101 issues.

This Court has reinvigorated Section 101 in recent years, providing significant guidance to the Federal Circuit with three decisions—*Bilski*, *Mayo*, and *Myriad*—that were unanimous in result. The Federal Circuit is internalizing and applying that guidance in a variety of contexts, including computer-implemented inventions. While this Court could well be called upon to review the patent-eligibility of such inventions in due course, it seems premature to do so at this time.

III. SHOULD THE COURT CHOOSE TO REVISIT THE PATENT-ELIGIBILITY OF ABSTRACT ECONOMIC IDEAS, THIS CASE WOULD BE AN APPROPRIATE VEHICLE

If the Court were to determine that the patent-eligibility of computer-implemented claims that are premised on abstract economic ideas does warrant additional review at this time, four recent decisions of the Federal Circuit—the en banc decision in this case, and the panel decisions in *Ultramercial II*, *Bancorp*, and *Accenture*—present variations on the theme. A certiorari petition has been filed in *Ultramercial II* (No. 13-255), Bancorp’s petition is currently due November 8, 2013 (*see* No. 13A185), and *Accenture* is on petition for en banc rehearing in the Federal Circuit. Of these four cases, CLS respectfully submits that for several reasons this case would be the best vehicle for this Court’s review.

First, since *Bilski*, no economic method claims have received as extensive briefing and consideration of their eligibility as Alice’s. This case was exhaustively briefed—by the parties and dozens of amici, including the United States government—in the

court of appeals, and this Court would have the benefit of the views of all members of the Federal Circuit (as then constituted) on the patents asserted here. *See* NYIPLA Br. 17 (this case presents the Court with “plenty of material to draw upon in developing an instructive directive on this issue”). The district court’s opinion too was exceptionally thorough, analyzing every claim—including all limitations—under both the Federal Circuit’s and this Court’s precedents. *See* Pet. App. 172a-238a. The other cases presenting similar issues, in contrast, were each decided by three-judge panels with no amicus participation at the time. Indeed, the Federal Circuit selected *CLS* for rehearing en banc over *Bancorp*, and denied rehearing en banc in that case following the *CLS* decision. *See* Order, *Bancorp*, 687 F.3d 1266 (No. 11-1467), ECF No. 4 (Fed. Cir. June 13, 2013). The petitioner in that case, Bancorp Services, now agrees that *CLS* “presents the best vehicle” for the Court to resolve the issue. *See* Trading Technologies et al. Br. 21-23.

Second, the Section 101 issue here was clearly framed on a motion for summary judgment addressing exclusively patent-eligibility. Claim construction was unnecessary, because *CLS* stipulated (for these purposes) to a construction favorable to Alice on the sole disputed limitation. The case thus presents a clean, purely legal issue without any alternative grounds or underlying factual disputes that could preclude the Court from reaching the question. *Cf.*, *e.g.*, *MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1255-64 (Fed. Cir. 2012) (engaging in claim construction and holding the claims invalid as anticipated or obvious, instead of ineligible, because the challenged summary judgment order presented those issues too). Other cases, by contrast, either suffer from a

sparser district court record—for example, due to their motion-to-dismiss posture (*see, e.g., Ultramercial II*, 722 F.3d at 1338-39)—or have lingering disputes over claim construction (*Bancorp*, 687 F.3d at 1280) or waiver (*Accenture*, 728 F.3d at 1347 (Rader, C.J., dissenting)).

Third, this case presents system and media claims in addition to method claims, thus affording the Court the opportunity to speak to each of the most common forms of drafting claims directed to computer-implemented inventions. This Court has already addressed the eligibility of method claims many times. *See, e.g., Mayo*, 132 S. Ct. at 1294; *Bilski*, 130 S. Ct. at 3223; *Diehr*, 450 U.S. at 179 n.5; *Flook*, 437 U.S. at 585. A clear majority of the court below correctly determined that the method claims asserted by Alice are ineligible under those precedents. The Federal Circuit was “evenly divided” only as to Alice’s *system* claims, yet some of the other pending cases—including *Ultramercial II*—do not involve system claims. This case would provide the Court with the opportunity to remind the Federal Circuit that “the same principle applies” in analyzing the eligibility of “a ‘product’ claim” as “a ‘process’ claim.” *Benson*, 409 U.S. at 67-68.

Fourth, in contrast to some of the other pending cases, here it is clear that the asserted claims are premised on an abstract idea, namely escrow. Both of the principal opinions below—Judge Lourie’s plurality and Chief Judge Rader’s partial concurrence—agree that there *is* an underlying abstract idea, and both identify that idea as “a form of escrow.” Pet. App. 28a; *accord id.* at 82a (Alice’s claims cover “the general and theoretical concept of using a neutral intermediary in exchange transactions to

reduce risk that one party will not honor the deal, *i.e.*, an escrow arrangement”). This clarity contrasts with other cases, where judges have found it murkier what the abstract idea at issue is (or if one is present at all), and have even voiced internal disagreement about how to identify that abstract idea. *See Ultramercial II*, 722 F.3d at 1350 n.2 (“it is arguable that we are not even dealing with an intangible abstraction in the first instance; the claims relate to things that people do, not to mere mental steps”); *Accenture*, 728 F.3d at 1344 (disagreeing with “the district court’s abstract idea” and identifying a different idea that is “not as broad”).

Fifth, the application of this Court’s precedents to Alice’s patent claims is relatively straightforward. Both Judge Lourie and Chief Judge Rader agreed that the *Bilski* framework applies to Alice’s method claims. In addition, Judge Lourie’s plurality opinion thoroughly but straightforwardly applied the rule of law announced in *Mayo* to Alice’s claims, explaining well why each limitation in Alice’s claims fails to provide “significantly more” than the abstract idea of escrow. Pet. App. 25a-41a. Even Judge Lourie, however, found it difficult to articulate *why* *Ultramercial*’s claims contain “significantly more than the underlying abstract idea,” beyond noting that they contain many limitations. *Ultramercial II*, 722 F.3d at 1355 (Lourie, J., concurring). This case provides the Court with a clean vehicle to apply its Section 101 jurisprudence, including but by no means limited to *Bilski* and *Mayo*, to the context of computer-implemented claims that are premised on abstract ideas.

In sum, if the Court decides not to await further percolation in the Federal Circuit, it should grant the petition for a writ of certiorari in this case (although

it may wish to consider restating the question presented). If the Court grants the petition in *Ultra-mercical II*, it should *also* review the decision in this case to resolve the eligibility of system claims—the only issue on which the Federal Circuit is deadlocked. Indeed, this case—unlike the other candidates for review—presents asserted method, media, *and* system claims with virtually identical scope; involves an abstract idea that has been analyzed thoroughly, from a variety of perspectives, by the lower courts; and includes no confounding issues of claim construction, waiver, or the like that could preclude the Court from resolving the sources of disagreement within the Federal Circuit. Thus, to the extent the Court is concerned that the en banc Federal Circuit failed to provide adequate guidance to the bench, bar, and agency on the patent-eligibility of computer-implemented claims under Section 101, a decision in this case would provide such guidance.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

MARK A. PERRY
Counsel of Record
BRIAN M. BUROKER
ALEXANDER N. HARRIS
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
mperry@gibsondunn.com

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