

No. 17-350

IN THE
Supreme Court of the United States

PNC BANK NATIONAL ASSOCIATION, U.S. BANK
NATIONAL ASSOCIATION, U.S. BANCORP, BANK OF THE
WEST, SANTANDER BANK, N.A., ALLY FINANCIAL, INC.,
RAYMOND JAMES & ASSOCIATES, INC.,

Petitioners,

v.

SECURE AXXESS, LLC,

Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

**BRIEF OF THE CLEARING HOUSE
PAYMENTS COMPANY L.L.C. AS *AMICUS
CURIAE* IN SUPPORT OF PETITIONERS**

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INTEREST OF *AMICUS CURIAE*¹

The Clearing House (“TCH”) is a banking association and payments company that dates to 1853 and is owned by the largest commercial banks. The Clearing House Payments Company L.L.C. owns and operates the core payment-system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector automated clearing house (“ACH”) and wire operator in the United States, clearing and settling nearly \$2 trillion in payments each day, representing half of all commercial ACH and wire volume. Its affiliate, The Clearing House Association L.L.C., is a nonpartisan organization that engages in research, analysis, advocacy, and litigation focused on financial regulation that supports a safe, sound, and competitive banking system.

Since Congress created the covered business-method (“CBM”) patent review process as part of the America Invents Act (“AIA”) in 2011, TCH and its members have relied on that process to defend against meritless patent infringement lawsuits, including those filed by patent-assertion entities like Secure Axxcess. However, the Federal Circuit’s decision in this case does serious

¹ Pursuant to Rule 37.6, Clearing House affirms that no counsel for a party authored this brief in whole or in part and that no person other than Clearing House, its members, or their counsel made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel of record for all parties received notice of Clearing House’s intention to file this brief. The parties have consented to the filing of this brief, each in a separate writing that is being filed concurrently with this brief.

violence to the CBM review process. Without the possibility of continued CBM review, TCH's efforts to transition to a faster and more robust national payment system may be frustrated by an onslaught of abusive infringement suits. Accordingly, TCH is keenly interested in this Court's restoration of the CBM review process Congress created.

SUMMARY OF THE ARGUMENT

The decision below tears a hole in the fabric of the AIA. When Congress overhauled the nation's patent system in 2011, it created three forms of patent review before the newly constituted Patent Trial and Appeal Board ("Board"). The first two review forms—*inter partes* review ("IPR") and post-grant review ("PGR")—are general in nature. So long as the petitioner meets the jurisdictional and procedural requirements for IPR or PGR, the Board may review the petition. The third review form—covered business method ("CBM") review—is more focused. It targets a specific subset of patents: weak business-method patents frequently used by patent-assertion entities to coerce payments from productive enterprises like community banks and national financial institutions.

CBM review "was developed in close consultation with the PTO to capture all of the worst offenders in the field of business method patents, including those that are creatively drafted to appear to be true innovations when in fact they are not." 157 Cong. Rec. S1360, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer). And prior to the decision in this case, CBM review was working—over the last several years, the Board has used CBM review to invalidate hundreds of patents that never should have been issued in the first place.

The Federal Circuit’s decision frustrates—and has all but ended—this important aspect of Congress’s system. Specifically, the decision below artificially narrows the scope of CBM review by holding that this review is available only for business-method patents with claims that explicitly contain a “financial activity element.” This talismanic test for jurisdiction gives the “worst offenders” an easy way to dodge CBM review—typically, the patent holder need only ensure that no *explicit* element related to a financial activity is in any of the patent’s claims—and thereby ends effective CBM oversight.

TCH agrees with Petitioner that this case is moot. See Pet. 11–15. And because this case arises from a lower federal court, and because mootness was not occasioned by settlement, the proper course is for this Court to vacate the Federal Circuit’s judgment. See *id.* at 14–15 (citing cases). TCH writes to illustrate the importance of either vacating the court of appeals’ judgment, or granting the petition and reversing. Were this Court to neither vacate the judgment below nor grant the petition, the Federal Circuit’s decision to all but terminate the CBM review process—and entirely frustrate Congress’s scheme—will be locked into place. Accordingly, if the Court does not vacate the decision and judgment below, it should grant the petition to correct the Federal Circuit’s error.

I. CONGRESS CREATED THE CBM REVIEW PROCESS SPECIFICALLY TO CURB ABUSIVE PATENT LITIGATION.

Congress created the CBM review process in the AIA to curb problems largely created by the Federal Circuit.

In the AIA, Congress established CBM review to solve a serious problem: the proliferation of lawsuits by patent-assertion entities alleging infringement of patented business methods often used by banks and other financial-services organizations. See H.R. Rep. No. 112-98, pt. 1, at 40, 54 (2011) (explaining the “[b]ackground and [n]eed” for the AIA’s CBM review process given the proliferation of “patent troll[s]”).

This problem, in many respects, arose from the Federal Circuit. In *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, the Federal Circuit endorsed an expansive view of patent eligibility for business-method claims by finding patentable a business method directed to mutual fund management. 149 F.3d 1368, 1375–77 (Fed. Cir. 1998). The loose patentability standard adopted in *State Street Bank* received extensive criticism, see, e.g., Leo J. Raskind, *The State Street Bank Decision: The Bad Business of Unlimited Patent Protection for Methods of Doing Business*, 10 *Fordham Intell. Prop. Media & Ent. L.J.* 61 (1999), which in turn ultimately led the Federal Circuit to move away from the *State Street Bank* standard about a decade later, see *In re Bilski*, 545 F.3d 943, 959–60 (Fed. Cir. 2008)—a move this Court largely affirmed. See *Bilski v. Kappos*, 561 U.S. 593, 612 (2010).

But the damage from *State Street Bank* had already been done. From the “late 1990’s through the early 2000’s”—i.e., the *State Street Bank* era—the Patent & Trademark Office issued many “poor business-method patents.” H.R. Rep. No. 112-98, pt. 1, at 54. Many of the purported inventions covered by these patents likely would not be patentable today. See 157 Cong. Rec. S7413, S7413 (daily ed. Nov. 14, 2011) (letter from House Judiciary Committee chairman entered into the record by Sen. Kyl) (“It is likely that many or most of

the business method patents that were issued after *State Street* are now invalid under *Bilski*.”) (italics added).

This glut of business-method patents did not go unnoticed. Patent-assertion entities aggregated many of these patents into large portfolios and used them offensively to extract payments from banks and other financial-service organizations, whose core business operations depend on the covered methods. As the Independent Community Bankers of America explained in a letter to the Senate urging the AIA’s passage:

[Business method] patents have, unfortunately, become the preferred method of extracting large settlements from community banks and these practices threaten our bankers’ ability to provide banking and banking related services to their local communities and to local small businesses.

Under the current system, business method patents of questionable quality are used to force community banks to pay meritless settlements to entities that may have patents assigned to them, but who have invented nothing, offer no product or service and employ no one.

157 Cong. Rec. at S1365 (statement of Sen. Schumer (reading letter)). While banks and financial firms’ experience with patent-assertion entities has not been entirely unique—patent-assertion entity litigation cost defendant firms over \$29 billion in 2011, the year of the AIA’s passage²—patent infringement lawsuits based on business-method patents had become particularly problematic by the late 2000s.

² James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harv. Bus. Rev. (Nov. 2014), <https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation>.

As a result, Congress decided to “respond[] to th[is] problem.” H.R. Rep. No. 112-98, pt. 1, at 54. Its solution was CBM review. Congress designed CBM review to address the problem’s root cause: the excess of bad business-method patents issued by the Patent & Trademark Office. Accordingly, CBM review permits a defendant accused of infringing a covered business-method patent to challenge the validity of that patent in an “inexpensive and speedy” proceeding before the Board, rather than through protracted district court litigation. 157 Cong. Rec. at S7413 (letter from House Judiciary Committee chairman entered into the record by Sen. Kyl); Leahy–Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329–31 (2011) (setting out CBM review provisions); see also *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2510 (2016) (“concerns [about business method patent abuse] caused Congress to create a special program for these patents”). The AIA’s CBM review is designed to end the parties’ dispute if the Board finds the asserted patents invalid.

Congress’s solution has achieved remarkable success. As of January 31, 2017—just three weeks before the Federal Circuit’s decision below—the Board had received 427 CBM review petitions. Of the 3,745 claims actually reviewed in these petitions, the Board found only 107 to be patentable in a final written decision. The rest of the claims were found to be unpatentable in a final written decision (2,206), were cancelled or disclaimed by the patent owner (302), or have not been subject to a final written decision (1,130).³ This

³ USPTO, *Patent Trial & Appeal Board Statistics* 11, 13 (Jan. 31, 2017) https://www.uspto.gov/sites/default/files/documents/aia_statistics_january2017.pdf.

is precisely what Congress hoped would be the result of the CBM review process.

II. THE FEDERAL CIRCUIT'S DECISION IN THIS CASE HAS LED TO THE END OF EFFECTIVE CBM REVIEW.

The success that the CBM process enjoyed was short lived. The decision below effectively signals an end to CBM review, frustrating Congress's clear intent.

Congress defined a CBM patent for purposes of CBM review under the AIA as a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1), 35 U.S.C. § 321 note.⁴ The predicate for the Board's jurisdiction for CBM review rests on whether there is a CBM patent. AIA § 18(a), (d), 35 U.S.C. § 321 note.

In the decision below, the Federal Circuit construed the statute's "used in the practice, administration, or management of a financial product or service" language to mean that a CBM patent must contain a "financial activity element" in one of its claims. Pet. App. 18a–20a. That is, the patent must contain "at least one *claim* to the effect that the method or apparatus is 'used in the practice ... of a financial product or service.'" *Id.* at 12a (emphasis added) (omission in origi-

⁴ As discussed below, *infra* 15, the AIA gives the Patent & Trademark Office broad rule-making authority. Pursuant to this authority, the Patent & Trademark Office issued regulations defining a "covered business method patent." That definition restates the AIA's statutory definition. *See* 37 C.F.R. § 42.301(a).

nal). If at least one of the patent's claims does not contain this explicit limitation, then CBM review is entirely unavailable, even if everything else—including the patent's specification, its real-world use, or even infringement allegations—confirms that the patent is “used in the practice ... of a financial product of service.” AIA § 18(d)(1), 35 U.S.C. § 321 note.

This new jurisdictional requirement cripples the CBM review process established by Congress. By making CBM review dependent on the presence of a claim containing magic words—a “financial activity element”—the Federal Circuit offers patent holders an easy way to game Congress's system and entirely escape the Board's CBM jurisdiction. The patent holder need only cancel any (usually dependent) claims that contain a “financial activity element” (which, for all intents and purposes, seems tantamount to any claims containing the word “financial” or its cognates). In doing so, the patent holder can retain other (usually independent) claims that cover precisely the same business method but simply omit any reference to a financial application or activity. Having rid itself of claims containing an explicit “financial activity element,” the patent owner—often, as here, a patent-assertion entity—can press forward with district court infringement suits without fear that a defendant will seek an expedited invalidity determination before the Board. This completely undermines the very reason Congress adopted the CBM review process in the AIA.

Nor is this scenario far-fetched—in fact, it is already happening. In *Facebook, Inc. v. Skky LLC*, the Board determined that it lacked jurisdiction to review the validity of a purported CBM patent after the patent owner cancelled claims expressly reciting financial elements. See Nos. CBM2017-00002, CBM2017-00003, CBM2017-00006, CBM2017-00007 (P.T.A.B. Apr. 10,

11, 12, 2017); see also Pet. 18–19 (citing other examples). Nothing prevents the patent owner from proceeding on other claims without an explicit financial element limitation. Moreover, nothing prevents patent applicants from using this same ploy when first drafting their claims. As commentators have noted, to avoid CBM review, applicants need only: (1) “[a]void using financial product or service terms in the claims”; (2) “[i]f claim terms are defined in the specification, avoid providing definitions that include financial product or service terms”; and (3) “[i]f examples of financial concepts are described in the specification, also describe examples of concepts outside of the financial context.” *Is Your Patent Eligible for Covered Business Method Review? Your Claim Language Matters. Your Specification Language Might Matter*, Lexology (Mar. 9, 2017).⁵

Judges on both the Board and the Federal Circuit have recognized the sea change wrought by the decision in this case. *E.g.*, *Ford Motor Co. v. Versata Dev. Grp., Inc.*, CBM2016-00100, Paper 12, at 1 (P.T.A.B. Mar. 20, 2017) (Turner, APJ, concurring) (“I am troubled ... by the current state of the law that does not adequately allow this panel to review the cited patent that the patentee clearly intended to be directed to financial products and services.”); *Integrated Claims Sys., LLC v. Travelers Lloyds of Tex.*, No. 16-2163 (Fed. Cir. argued Apr. 7, 2017) (oral argument at 20:00–21:30) (Moore, J.) (“I am baffled at how you can defend” the notion that a claim without “language in it tying it to a financial industry” could be reviewed by the Board “after *Secure Access*.”). Simply put, by “narrowing ... the scope of CBM patents,” the Federal Circuit has

⁵ <http://www.lexology.com/library/detail.aspx?g=d9d0cf79-a1cd-4da3-8f57-d3b1614c24a7>.

“present[ed] a potential boon to patent owners, who may now avoid” entirely the Board’s CBM jurisdiction by “arguing that their claims do not contain a ‘financial activity element.’”⁶

Indeed, shortly after the Federal Circuit issued its decision in this case, commentators predicted that it would cause CBM review to “[f]ade [a]way.”⁷ They were right. From the Federal Circuit’s decision in February through the first week of October, the Board has received only 22 new CBM petitions.⁸ And during that same time, the Board declined institution in 22 pending CBM cases, at least 19 of which cited *Secure Access*.⁹ If this Court does not intervene now, the “worst

⁶ *Federal Circuit Further Narrows the Availability of CBM Review*, Lexology (Feb. 23, 2017), <https://www.lexology.com/library/detail.aspx?g=30532fe9-0b28-424d-b084-c9e1dc50fda5>.

⁷ Ryan Davis, *CBM Reviews May Fade Away as Fed. Circ. Limits Reach*, Law360 (Mar. 10, 2017, 11:04 PM EST), <https://www.law360.com/articles/900685/cbm-reviews-may-fade-away-as-fed-circ-limits-reach>.

⁸ Patent Trial & Appeal Board, <https://ptab.uspto.gov/> (last visited Oct. 6, 2017).

⁹ *Google, Inc. v. Klaustech, Inc.*, No. CBM2016-00096, Paper 10 (P.T.A.B. Feb. 27, 2017); *Google, Inc. v. HBAC Matchmaker Media, Inc.*, No. CBM2016-00097, Paper 16 (P.T.A.B. Feb. 27 2017); *Twilio Inc. v. Telesign Corp.*, No. CBM2016-00099, Paper 13 (P.T.A.B. Feb. 27 2017); *Ford Motor Co. v. Versata Dev. Grp., Inc.*, No. CBM2016-00101, Paper 12 (P.T.A.B. Mar. 15, 2017); *Ford Motor Co. v. Versata Dev. Grp., Inc.*, No. CBM2016-00100, Paper 12 (P.T.A.B. Mar. 20, 2017); *Facebook, Inc. v. Skky, LLC*, No. CBM2017-00006, Paper 9 (P.T.A.B. Apr. 11, 2017); *Facebook, Inc. v. Skky, LLC*, No. CBM2017-00002, Paper 11 (P.T.A.B. Apr. 12, 2017); *Facebook, Inc. v. Skky, LLC*, No. CBM2017-00003, Paper 9 (P.T.A.B. Apr. 12, 2016); *Broadsign Int’l, LLC v. T-Rex Prop. AB*, No. CBM2017-00008, Paper 7 (P.T.A.B. Apr. 26, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00009, Paper 10 (P.T.A.B. May 1, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00011, Paper 10

offenders in the field of business method patents” will again be free to pursue abusive infringement suits against the banks and other financial-services organizations that undergird our nation’s economy, thereby draining those organizations of necessary resources. 157 Cong. Rec. at S1364 (statement of Sen. Schumer).

III. THIS COURT CAN AND SHOULD RESTORE THE CBM REVIEW PROCESS THAT CONGRESS CREATED.

Congress created CBM review to fix the CBM patent-assertion entity problem that arose in part because of the Federal Circuit’s *State Street Bank* decision. The Federal Circuit has now all but killed Congress’s solution. The Court should not allow the Federal Circuit to so blatantly subvert congressional intent. Accordingly, the Court should grant the petition and correct the Federal Circuit.

A. The Federal Circuit’s Interpretation Of The AIA Is Wrong.

1. The Federal Circuit’s destruction of the CBM review process rests on basic errors of statutory interpretation.

As noted, Congress made CBM review available only for a patent that “claims a method or corresponding

(P.T.A.B. May 1, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00014, Paper 9 (P.T.A.B. May 1, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00016, Paper 9 (P.T.A.B. May 1, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00010, Paper 9 (P.T.A.B. May 2, 2017); *Google Inc. v. Cioffi*, No. CBM2017-00015, Paper 9 (P.T.A.B. May 2, 2017); *Cloud9 Techs. LLC v. IPC Sys., Inc.*, No. CBM2017-00037, Paper 8 (P.T.A.B. July 21, 2017); *AOL, Inc. v. Improved Search, LLC*, No. CBM2017-00038, Paper 11 (P.T.A.B. July 24, 2017); *Global Tel*Link Corp. v. Securus Techs., Inc.*, No. CBM2017-00043, Paper 7 (P.T.A.B., Oct. 2, 2017); *Global Tel*Link Corp. v. Securus Techs., Inc.*, No. CBM2017-00044, Paper 7 (P.T.A.B., Oct. 2, 2017).

apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d), 35 U.S.C. § 321 note. This definition contains two key components, as the Federal Circuit itself recognized. Pet. App. 11a–12a. The first component addresses the *language of the claim*: it is necessary that the patent “claims a method or corresponding apparatus for performing data processing or other operations.” The second component addresses the *scope and application of the invention*: the method or apparatus must be “used in the practice, administration, or management of a financial product or service.” *Id.*¹⁰

The Federal Circuit’s fundamental error was that it mixed and matched elements of these two components: it fused the first part of the first component (that the patent must claim) and the second part of the second component (a financial product or service) to create a

¹⁰ The definition has a third component not directly relevant here: that a “covered business method patent” does “not include patents for technological inventions.” AIA § 18(d)(1), 35 U.S.C. § 321 note. Congress directed the Patent & Trademark Office to issue regulations further defining “technological inventions.” *Id.* § 18(d)(2), 35 U.S.C. § 321 note. The Patent & Trademark Office responded with the following:

In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

37 C.F.R. § 42.301(b). It is not clear how this regulation gives further content to the concept of a “technological invention.” Suffice it to say, however, that there is some class of “technological invention” patents that, even if otherwise within the definition of a covered business-method patent, must be excluded from CBM review.

new, third requirement—namely, that the patent must have “a claim that contains, however phrased, a financial activity element.” Pet. App. 19a–20a. This type of statutory alchemy should be rejected out of hand. See *Dean v. United States*, 137 S. Ct. 1170, 1177 (2017) (rejecting attempt to “read an additional limitation” into the governing statute). The statute says nothing about the patent needing to “claim” a “financial activity element.” CBM review is appropriate so long as the patent *claims* a method or corresponding apparatus for data processing or other operations, and so long as that method or apparatus is *used* in a financial product or service.

By making the recitation of certain elements in a patent’s claims outcome determinative, the Federal Circuit not only distorts the basic terms of the statute, it also ignores the fundamental rule that “the claims of a patent are always to be read or interpreted in the light of its specifications.” *Schriber-Schroth Co. v. Cleveland Tr. Co.*, 311 U.S. 211, 217 (1940). A patent’s specification “contain[s] a written description of the invention, and of the manner and process of making and using it.” 35 U.S.C. § 112(a). This as-applied description of the invention is often crucial to understanding the patent. *Cf. Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014) (patent is indefinite “if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform ... about the scope of the invention”).

Indeed, the Federal Circuit below acknowledged that “[e]stablished patent doctrine requires that claims must be properly construed—that is, understood in light of the patent’s written description; that is a fundamental thesis in claim construction.” Pet. App. 13a–14a. But it then honored this rule in the

breach. Here, the only exemplary embodiment of the invention in the patent’s specification involves a description of financial payment networks, references to credit card companies, and the exemplary URL “www.bigbank.com.” See Pet. App. 151a–152a (dissenting from denial of rehearing en banc) (Lourie, J.). This information clearly indicates that the patent is directed to use in a financial product or service.

The Federal Circuit’s explicit-claim-language requirement further contravenes the principle that extrinsic evidence can help explain a claim’s meaning and scope, as the Federal Circuit itself has recognized. See *Prolitec, Inc. v. Scentair Techs., Inc.*, 807 F.3d 1353, 1358 (Fed. Cir. 2015) (allowing extrinsic evidence for claim construction), *overruled on other grounds, Aqua Prod., Inc. v. Matal*, 2017 WL 4399000, at *6 (Fed. Cir. Oct. 4, 2017); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1319 (Fed. Cir. 2005) (en banc) (allowing extrinsic evidence if the court deems it helpful to “educate [itself] regarding the field of the invention and . . . [to] determine what a person of ordinary skill in the art would understand”). Extrinsic evidence is particularly appropriate in the context of CBM review, because the statutory definition looks at how the patent is actually used. Here, that evidence overwhelmingly points to use in a “financial product or service.” The patent was originally developed by and assigned to American Express. And its current owner, Secure Access, has sued only financial services institutions for infringement. See Pet. App. 152a–153a (dissenting from denial of rehearing en banc) (Lourie, J.). Clearly, the patents asserted in this case are “used” in financial products or services.

2. Even if there were some ambiguity in the statute concerning the Board’s exercise of CBM jurisdiction,

the Federal Circuit should have deferred to the Board's decision. As the Federal Circuit acknowledged, this case arises under Administrative Procedure Act, Pet. App. 10a. And it recently recognized that “the expertise of the USPTO entitles the agency to substantial deference in how it defines its mission. Congress recognized this by its broad delegation of rulemaking authority in the establishment and implementation of th[e] [CBM] review proceeding.” *Versata Dev. Grp., Inc.*, 793 F.3d at 1325; see AIA § 18(a)(1), 35 U.S.C. § 321 note (“[T]he Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents.”). Congress, moreover, gave the Patent & Trademark Office adjudicative authority by establishing the Board, and giving the Board authority to conduct CBM review proceedings. See AIA §§ 7(b)(4) & 18(a)(1), 35 U.S.C. § 321 note.

With this “broad delegation” of authority comes judicial deference. See *City of Arlington v. FCC*, 569 U.S. 290, 306 (2013) (a “general conferral of rulemaking or adjudicative authority” is sufficient to “support *Chevron* deference for an exercise of that authority within the agency’s substantive field”). Here, the AIA confers both rule-making and adjudicative authority on the Patent & Trademark Office. In this context, the Patent & Trademark Office exercises its adjudicative authority through the Board. And the Board issued an opinion on the scope of its jurisdiction under AIA § 18 to review the validity of CBM patents. That decision warrants deference. *Id.* at 304–05 (“jurisdictional” questions no different from other questions of agency authority).

Furthermore, the Patent & Trademark Office has issued regulations interpreting AIA § 18, and those regulations provide that a claim in CBM proceedings “shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.” 37 C.F.R. § 42.300(b). This Court accorded deference to a similar Patent & Trademark Office regulation issued in the context of *inter partes* review, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016), and there is no reason that the Federal Circuit should not have done the same here. Instead, the Federal Circuit construed the statute in a way that reads the claims narrowly (rather than broadly) and gives almost no attention to the patent’s specification (rather than reads those claims in light of the specification).

Accordingly, the Federal Circuit’s decision here not only errs as a matter of statutory interpretation, but also errs as a matter of administrative law. Having acknowledged that this is a normal APA case, the Federal Circuit cannot spurn the ordinary, trans-substantive rules that come with federal court review of agency action. *Cf. Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015) (Federal Circuit must use normal clear error standard like every other court); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (Federal Circuit must use normal attorneys’ fees rule like every other court); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (Federal Circuit must use normal injunction rules like every other court).

3. The Federal Circuit’s policy concerns cannot justify its interpretive errors. The court of appeals believed its restrictive jurisdictional gloss was necessary because any other interpretation of the CBM definition

would authorize CBM review of “virtually every patent.” Pet. App. 14a–15a. According to the Federal Circuit, any patent could qualify for CBM review so long as the claimed method or apparatus “for performing *any* operations ... “happen[ed] to be used in ‘the practice, administration, or management of a financial product or service.’” *Id.* at 14a. The Federal Circuit felt that this sprawling jurisdiction would contravene the “more limited scope” that “Congress intended” for CBM review. *Id.*

This is a boogeyman of the Federal Circuit’s own creation. “Under the familiar interpretive canon *noscitur a sociis*, a word is known by the company it keeps.” *McDonnell v. United States*, 136 S. Ct. 2355, 2368 (2016). Here, the word “operations” accompanies “data processing.” Thus, the “operations” contemplated by the statutory definition are clearly those that are akin to “data processing,” and that are “used in ... a financial product or service.” The Federal Circuit did not need to overreach and impose limits where Congress has already done so—all it had to do was “wisely appl[y]” the *noscitur a sociis* principle (which itself is nothing more than a codification of normal English usage) “to avoid the giving of unintended breadth to the Acts of Congress.” *Id.*

Properly construed, the proper definition of CBM falls far short of covering “virtually every patent.” A screwdriver does not “perform[] data processing or other operations,” nor does a pharmaceutical compound, a rocket nozzle, or a car radiator. Numerous classes of patents will fall outside of CBM review, including: “Apparel,” “Bridges,” “Textiles,” “Chemistry,” “Metal working,” “Acoustics,” “Plastic[s],” “Explosive[s],” “Receptacles,” “Radiant energy,” “Fences,” “Spring devices,” “Closure fasteners,” “Optics,” “Flexible bags,” “Joints and connections,” “Pumps,” “Food or

edible material,” “[C]eramic[s],” and “Perfume compositions,” to name just a few. See USPTO, *US Classes*.¹¹ And this is consistent with Congress’s intent when creating the CBM review process. See Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736, 48,738–39 (Aug. 14, 2012) (noting comments suggesting that the art units in Class 705—“Data Processing: Financial, Business Practice, Management, or Cost/Price Determination”—were the main targets of the CBM review process).¹²

Simply put, if the Federal Circuit had given more attention to standard principles of statutory construction rather than policy, the policy problem it found so threatening—limitless CBM jurisdiction—would have been no problem at all. Yet, the Federal Circuit’s erroneous interpretation based on policy concerns has in turn led to bad policy. As a result of the Federal Circuit’s decision, the CBM review program now has almost no effective scope and can be circumvented through mere draftsmanship. *Cf. Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2360 (2014) (the law should not make subject matter eligibility “depend simply on the draftsman’s art”). This in turn allows patent-assertion entities to run amok.

B. The Court Should Intervene Now.

1. This case represents an excellent vehicle to review the question presented. Through panel opinions, or

¹¹ <https://www.uspto.gov/web/patents/classification/selectnum-withtitle.htm> (last modified Oct. 6, 2017).

¹² The “technological invention” exclusion also would likely exclude many of these inventions from CBM review. *See supra* note 10.

opinions accompanying the denial of rehearing, virtually every judge on the Federal Circuit has expressed their view on this case.¹³ And given the Federal Circuit's exclusive review of Board decisions, 35 U.S.C. § 329, no other circuit court can weigh in on the issue here. See *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 89 (1993) ("Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied ... is a matter of special importance to the entire Nation.").

Not only is this a good vehicle, but it is likely the *only* vehicle to review the question presented. Should the Federal Circuit's error remain uncorrected, the Board will likely continue to deny CBM review under the Federal Circuit's new, restrictive jurisdictional standard. And while any "final written decision" of the Board may be appealed to the Federal Circuit, 35 U.S.C. § 329, the Board's decision to institute or not institute CBM review in the first place is "final and nonappealable." *Id.* at § 324(e); *cf. Cuozzo Speed Techs., LLC*, 136 S. Ct. at 2136 (no judicial review of Board's "mine-run" decision to deny *inter partes* review). Accordingly, it is highly unlikely that the question presented will ever resurface in a form reviewable by this Court.

2. Finally, this Court should not withhold review simply because the CBM program is temporary. Judge Taranto concurred in the Federal Circuit's decision denying en banc rehearing in large part because the CBM program is "now more than half way through its specified eight-year life." Pet. App. 134a (Taranto, J.).

¹³ The one exception is Judge Stoll, who did not participate in the case. See Pet App. 131a.

This is no reason to deny review.¹⁴ CBM review was and is an integral part of Congress's effort to revamp the nation's patent system. The Federal Circuit should not be allowed to cut Congress's efforts short. Congress envisioned the full scope of CBM review to run for eight years, AIA § 18(a)(3), 35 U.S.C. § 321 note, and Congress's choice should control.

CONCLUSION

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

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¹⁴ However, it further supports vacating the decision and judgment below.