

15-1161

Supreme Court, U.S.  
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No. \_\_\_\_\_

**In The  
Supreme Court of the United States**

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♦  
CLOUD SATCHEL, LLC,

*Petitioner,*

v.

BARNES & NOBLE, INC.,

AND

AMAZON.COM, INC.,

*Respondents.*

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

\_\_\_\_\_  
♦  
**PETITION FOR A WRIT OF CERTIORARI**

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♦  
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## QUESTIONS PRESENTED

1. Whether the decision below violates Article 1, section 8 of the Constitution by ignoring the scope of patent eligibility adopted by Congress in 35 U.S.C. § 101 as interpreted by this Court?

2. Whether the lower courts incorrectly applied both steps of the *Alice Corporation v. CLS Bank* framework for Section 101 to the patent claims at issue in contravention of this Court's jurisprudence on patent-eligibility, as well as 35 U.S.C. § 103, and related precedent of the Court on patent validity, including *Graham v. John Deere*?

3. Whether the Federal Circuit's application of its modified Federal Rule of Appellate Procedure 36 to affirm a trial court decision based on *Alice* effectively eliminate Cloud Satchel's right to appeal as set forth in 28 U.S.C. § 1295(a)?

## **PARTIES TO THE PROCEEDINGS**

Petitioner Cloud Satchel, LLC is the plaintiff in this action and was the appellant in the Federal Circuit.

Barnes & Noble, Inc. is the defendant in this action and was the appellee in the Federal Circuit.

Amazon.com, Inc. is the defendant in this action and was the appellee in the Federal Circuit.

## **CORPORATE DISCLOSURE**

Petitioner Cloud Satchel, LLC has no parent corporation, nor any publicly held company owing 10% or more of its stock.

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## **PETITION FOR A WRIT OF CERTIORARI**

Petitioner Cloud Satchel, LLC respectfully prays that a Writ of Certiorari issue to review the judgment of the Court of Appeals for the Federal Circuit entered in this case.

### **OPINIONS BELOW**

The Federal Circuit panel order is not reported but can be found at 2015 Fed. App. LEXIS 22673 and is reproduced at Pet. App. at App 1a-10a. The memorandum opinion, order and judgment of the U.S. District Court for the District of Delaware is reproduced in the appendix to this petition at App 11a-37a, and available at 76 F. Supp. 3d 553.

### **BASIS OF JURISDICTION**

A panel of the U.S. Court of Appeals for the Federal Circuit entered judgment on December 17, 2015. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

### **CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED**

Article 1, § 8, clause 8 provides that:

To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

35 U.S.C. § 101 provides that:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S. C. § 103(a) (pre-AIA) provides that:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Fed Cir Rule 36 provides that:

The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:

(a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;

(b) the evidence supporting the jury's verdict is sufficient;

(c) the record supports summary judgment, directed verdict, or judgment on the pleadings;

(d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

(e) a judgment or decision has been entered without an error of law.

### STATEMENT

The claims of U.S. Patents No. 5,862,321 and No. 6,144,997 are not directed towards an “abstract idea.” They are not process claims. They are not method claims. They are claims directed to a distributed *machine* made up of a concrete combination of devices—which is explicitly identified as *patentable* subject matter under 35 U.S.C. § 101. At the time of invention, this combination of devices solved a vexing technological problem.

Nonetheless, the district court accepted Amazon and Barnes & Noble’s argument that the claimed invention, which provides for the memory-conserving wireless exchange of documents between a portable handheld device and a remote database, was no more than merely an application of fourteenth-century St. Martin’s Priory at Dover’s abstract concept of cataloguing books, with monks fetching them from shelves, to a generic computer. It invalidated the asserted claims under 35 U.S.C. § 101. The Federal Circuit ducked the question by issuing a Rule 36 affirmation without opinion.

## I. BACKGROUND OF THE INVENTION AND THE PROBLEMS SOLVED

The '321 and '997 Patents originated from pioneering work conducted in the early 1990s in Xerox's famed research laboratories, including the Palo Alto Research Center (PARC). Inventors Michael (Mik) Lamming and Michael Flynn developed their "Satchel" system and architecture in conjunction with a handheld computing device, concurrently developed at Xerox, used with a stylus, known as the "PARC Tab."<sup>1</sup>

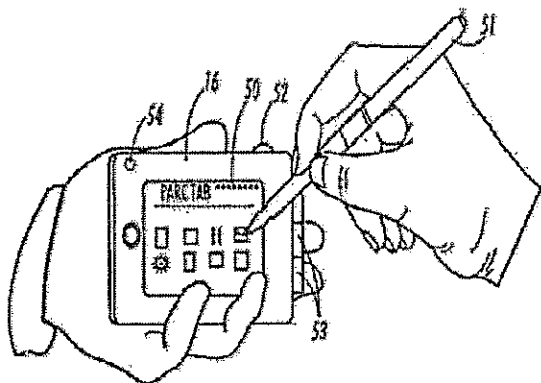


FIG. 2

At time of the invention, over twenty years ago,<sup>2</sup> the inventors were concerned that, even though

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<sup>1</sup> '321 Patent 3:44-54, incorporating into the specification by reference addition material about the PARC Tab and other system hardware as of 1993. For convenience, as the district court did, all specification references are to the '321 Patent. See Joint Appendix in U.S. Court of Appeals Federal Circuit *Cloud Satchel v. Barnes & Noble, Inc. and Amazon.com*; Case No. 2015-1261.

<sup>2</sup> Both patents claim priority to an application filed in the United Kingdom on June 27, 1994.

documents increasingly were being created and stored electronically, mobile people still faced extra difficulties in transporting, locating, reading, and distributing their electronic documents.<sup>3</sup> Indeed, mobile workers “w[ould] often resort to carrying a bulky set of paper documents as a precaution.”<sup>4</sup> Electronic distribution at the time was “beset with difficulties”:

For example, if a person, the sender, wants to give an electronic document to someone they are currently talking to, the recipient, the sender must break off the conversation, go to a workstation, search for the desired document, find out the recipient’s electronic address, check how best to encode the data for the recipient’s machine; and then transfer the document.<sup>5</sup>

Worse yet, were a missing document needed while on the road, the traveler may have to call someone back at the office to gain access urgently to the electronic document, print it out, and fax it somewhere.<sup>6</sup>

The inventors also noted that, while portable computers like the Apple Newton were entering the

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<sup>3</sup> ’321 Patent 1:22-30; Federal Circuit Joint Appendix JA 46

<sup>4</sup> ’321 Patent 1:27-30; *Id.*

<sup>5</sup> ’321 Patent 1:43-49; Federal Circuit Joint Appendix JA 46

<sup>6</sup> ’321 Patent 2:13-19; *Id.*

field, they had limited functionality.<sup>7</sup> In addition, the portable computing devices appearing around 1994 were constrained by limited memory capacity, and could not store large numbers of complete documents at once.<sup>8</sup> In fact, the memory capacity of a mobile device—both at the time of invention, and still today—single-handedly dictated the number and size of the documents that a user could store. As a result, a person carrying a portable device at the time—and still today—might not have been able to simply copy all of the electronic documents from her workstation into the portable device to take along on a trip. Even with modern devices that have more memory than ever before, users run the risk of running out of space. In a situation where the memory required to store a large number of documents exceeds the memory available on a portable device, the problem is not the memory size, *per se*, but that the available storage capacity is exceeded by the storage needs. Indeed, a recent promotion for a new phone included the promise of “free, unlimited [cloud] storage for all photos taken with [the] phone (in full resolution).” The tag line concluded, “No more worrying about what to delete.”

Mr. Lamming and Mr. Flynn solved these problems by creating a novel “Satchel” architecture that incorporated “a portable document reference transfer device,” like the PARC Tab, into an entire “distributed system,” which could transmit and receive electronic documents, and smaller electronic document references associated with them. They

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<sup>7</sup> ’321 Patent 2:22-30; *Id.*

<sup>8</sup> ’321 Patent 2:31-35; *Id.*

envisioned embodiments utilizing cellular data cards, or that “the satchel functionality may be incorporated into a pager or mobile phone.”<sup>9</sup>

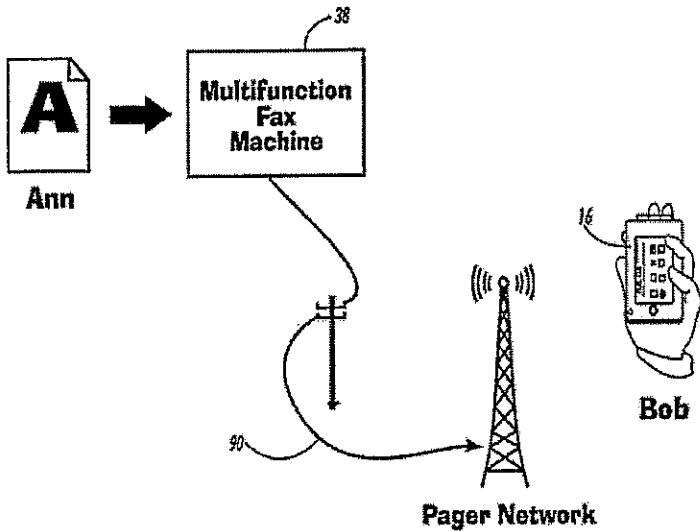


FIG. 6(g)

The invention combined exciting new developments in portable computing, revolutionary data structure innovations, and emerging communications technologies into a concrete distributed system that essentially-instantaneously transports electronic documents to a user on demand wherever needed.

<sup>9</sup> '321 Patent 11:33-38. *Id.* JA 51

## II. THE '321 & '997 PATENTS

Mr. Lamming and Mr. Flynn filed their first patent application on their invention in the United Kingdom on June 27, 1994. The '321 Patent issued on January 19, 1999, from a U.S. application filed on June 21, 1995, and the '997 Patent followed, issuing November 7, 2000, from continuation application filed October 28, 1998. The asserted claims of the '321 and '997 Patents are all directed to a system or "distributed system." For example, claim 15 of the '321 patent covers:

15. A portable electronic document reference transport device for transporting an electronic document reference between a first location and a second location, the electronic document reference identifying a location of an associated electronic document in a first memory, the electronic document having a first memory storage requirement greater than a second memory storage requirement of the electronic document reference, the portable electronic document reference transport device comprising:

- a) a second memory storing the electronic document reference, the second memory having a capacity significantly less than a capacity of the first memory; and
- b) a transceiver coupled to the second memory for receiving the electronic

**document reference without its associated electronic document from a distributed document handling system at a first location and transmitting the electronic document reference without its associated electronic document to the distributed document handling system at a second location, the distributed document handling system being coupled to the first memory and responding to receipt of the electronic document reference by producing a copy of the associated electronic document at a third location, the document handling system and the first memory being physically separate from the portable electronic document reference transport device.**

The "transceiver" element of the claimed combination was envisioned as embodied in cellular data cards or data communication functionality in a pager or mobile phone, none of which was commonplace technology in 1994. In addition, the "portable electronic document reference transport device," the PARC Tab in a disclosed embodiment, was itself a cutting edge device, a pioneering forerunner to the wave of PDAs that followed. The patent even taught the use of "tablet 30 with a stylus or pen," in this combination.

## REASONS FOR GRANTING THE WRIT

### I. THE LOWER COURT VIOLATED ARTICLE 1, SECTION 8 OF THE CONSTITUTION BY IGNORING THE SCOPE OF ELIGIBILITY ADOPTED BY CONGRESS IN 35 U.S.C. § 101

Article 1, § 8, clause 8 authorizes Congress “[t]o promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.” As explained by this Court in *Graham*:

Within the limits of the constitutional grant, the Congress may, of course, implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim. This is but a corollary to the grant to Congress of any Article I power.<sup>10</sup>

“Within the scope established by the Constitution, Congress may set out conditions and tests for patentability.”<sup>11</sup> The role of the Courts in this constitutional scheme is limited. As stated by this Court in *Graham*:

It is the duty of the Commissioner of Patents and of the courts in the

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<sup>10</sup> *Graham v. John Deere Co. of Kan.City*, 383 U.S. 1, 6, 86 S. Ct. 684, 688 (1966).

<sup>11</sup> *Id.*

administration of the patent system to give effect to the constitutional standard by appropriate application, in each case, of the statutory scheme of the Congress.<sup>12</sup>

Section 101 of the patent code sets forth the scope of patentable subject matter, as established by Congress. It reads as follows:

Whoever invents or discovers any new and useful process, *machine*, manufacture, or composition of matter, *or any new and useful improvement thereof*, may obtain a patent therefor, subject to the conditions and requirements of this title.<sup>13</sup>

Section 102 further defines what is “new,” while Section 103 precludes claiming something “obvious”:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

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<sup>12</sup> *Id.*

<sup>13</sup> 35 U.S.C. § 101 (emphasis added).

The late Federal Circuit Judge Giles Rich, a co-drafter of the 1952 Patent Act, in a November 6, 1952 speech said of Section 103, “This is not new law, but we have it here where the courts can’t crawl away from it.”<sup>14</sup> The last sentence was added to lay to rest the ghost of the “flash of genius” test for inventiveness, which arose from this Court’s holding in *Cuno Engineering*, that, “the new device however useful it may be, must reveal the flash of creative genius, not merely the skill of the calling.”<sup>15</sup> Judge Rich stressed that this addition affirmed that “long toil stands on an equal footing with flashes.”<sup>16</sup>

In *Alice*, this Court held that the “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”<sup>17</sup> In contrast, this Court held in *Diehr* that the claims were patent eligible because they were directed towards a machine (computer) that lessens the possibility of overcuring or undercuring rubber, and, therefore, “transformed the process into

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<sup>14</sup> Transcript of Address by Giles S. Rich on The Patent Act of 1952, The New York Patent Law Assoc., November 6, 1952, at 9.

<sup>15</sup> *Id.*; *Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941).

<sup>16</sup> Transcript, Nov. 6, 1952, at 9; see also Stephen G. Kalinchak, *Obviousness and the Doctrine of Equivalents in Patent Law: Striving for Objective Criteria*, 43 Cath. U.L. Rev., 577, 585-591 (1994).

<sup>17</sup> *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2358 (2014) (“Stating an abstract idea ‘while adding the words apply it’ is not enough for patent eligibility”).

an inventive application of the formula.”<sup>18</sup> This Court emphasized that “the claims in *Diehr* were patent eligible because they improved an existing technological process, not because they were implemented on a computer.”<sup>19</sup> In other words, a claim that “improve[s] the functioning of [a] computer” is distinct from an abstract concept “performed by a generic computer.”<sup>20</sup>

The '321 and '997 Patents claims at issue in this case claim a tangible “machine” comprising a combination of hardware and data structures, with certain specified capabilities, or at least an improvement to one. For example, claims 15 and 17 of the '321 Patent claim the “portable electronic document reference transport device” in isolation, with particular capabilities. This is classically a “concrete thing, consisting of parts,” one can physically hold.<sup>21</sup>

Figure 1 of the Patents “illustrates networked system 10 for accessing and distributing electronic documents”:

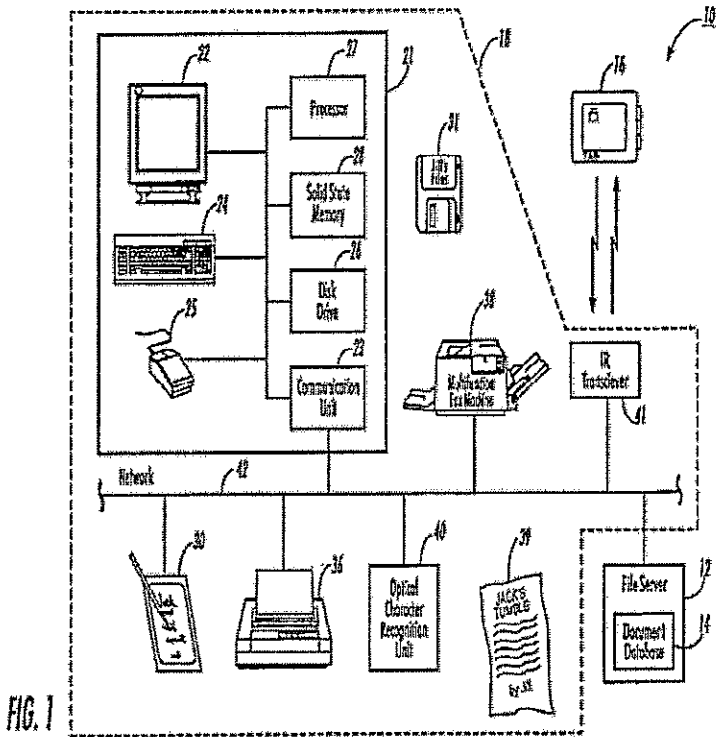
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<sup>18</sup> *Diamond v. Diehr*, 450 U.S. 175, 187 (1981); see also *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289, 1299 (2012).

<sup>19</sup> *Alice*, 134 S. Ct. at 2358.

<sup>20</sup> *Alice*, 134 S. Ct. at 2359.

<sup>21</sup> See, e.g., *Westinghouse v. Boyden Power Brake Co.*, 170 U.S. 537, 556 (1898) (“A machine is a concrete thing, consisting of parts, or of certain devices and combination of devices.”).



The lower court exceeded its constitutional role by ruling that the patents at issue are invalid despite their clear compliance with 35 U.S.C. § 101.

In reaching a result directly contrary to the statute, the lower courts in this case have failed to properly apply the statutory scheme of Congress, and in so doing have violated Article 1, Section 8.

## II. THE LOWER COURT'S DECISION IS INCONSISTENT WITH 35 U.S.C. § 101 BY MISAPPLYING THE EXCEPTION DISCUSSED BY THIS COURT IN *ALICE*.

### A. THE COURT'S TWO STEP ANALYSIS OF SECTION 101 EXCEPTIONS AS SET FORTH IN *ALICE*, *MAYO*, AND *BILSKY* AROSE TO DEFINE "PROCESS."

This Court in *Alice* reaffirmed the exceptions implicit in Section 101—"laws of nature, natural phenomena, and abstract ideas are not patentable."<sup>22</sup> As explained in *Mayo*, "a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that  $E=mc^2$ ; nor could Newton have patented the law of gravity."<sup>23</sup>

This Court has cautioned, however, that these exceptions must not be interpreted too broadly and allowed to "eviscerate . . ." or "swallow all of patent law. For all inventions *at some level* embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas."<sup>24</sup>

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<sup>22</sup> *Alice*, 134 S. Ct. at 2354.

<sup>23</sup> *Mayo*, 132 S. Ct. at 1293.

<sup>24</sup> *Id.* at 1294 (emphasis added); *Alice*, 134 S. Ct. at 2354 (quoting *Mayo*).

Congress and the courts have wrestled for over a century with what is and is not patentable. In 1874, this Court put it bluntly: “An idea of itself is not patentable, but a new device by which it may be made practically useful is.”<sup>25</sup> Twenty years prior the Court had denied Samuel Morse this patent claim:

[Claim 8]: I do not propose to limit myself to the specific machinery or parts of machinery described in the foregoing specification and claims; the essence of my invention being the use of motive power of the electric or galvanic current, which I call electro-magnetism, however developed for marking or printing intelligible characters, signs, or letters, at any distances, being a new application of that power of which I claim to be the first inventor or discoverer.<sup>26</sup>

In rejecting his claim, the Court observed that, “[i]f this claim can be maintained, it matters not by what process or machinery the result is accomplished.”<sup>27</sup>

*Tilghman v. Proctor* turned more-specifically to the definition of a “process” and its patentability:

“Whoever discovers that a certain useful result will be produced in any art by the

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<sup>25</sup> *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507 (1874).

<sup>26</sup> *O'Reilly v. Morse*, 56 U.S. 62, 112 (1854).

<sup>27</sup> *Id.*

use of certain means is entitled to a patent for it, provided he specifies the means.”

But everything turns on the force and meaning of the word “means.” It is very certain that the means need not be a machine, or an apparatus; it may, as the Court says, be a process. A machine is a thing. A process is an act or a mode of acting. The one is visible to the eye—an object of perpetual observation. The other is a conception of the mind, seen only by its effects when being executed or performed.<sup>28</sup>

Tilghman’s patent on a process for separating fats and oils into component parts, which are then separately useful in various arts, was held valid.

A century later, this Court honed in further on what “processes” are properly patentable under 35 U.S.C. § 101, which became law in 1953. *Gottschalk v. Benson* addressed a “patent sought [] on a method of programming a general-purpose digital computer to convert signals from binary-coded decimal form into pure binary form.”<sup>29</sup> The Court reasoned that, “[t]ransformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include

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<sup>28</sup> *Tilghman v. Proctor*, 102 U.S. 707, 728 (1880).

<sup>29</sup> *Gottschalk v. Benson*, 409 U.S. 63, 65 (1972) (discussing *O’Reilly v. Morse* and contrasting why Alexander Graham Bell was allowed a claim on a “particular process” of using “electric current to transmit vocal or other sounds”).

particular machines.”<sup>30</sup> Because the claimed method did not transform an article or include particular machines, the Court held that claims did not cover a process within the meaning of the Patent Act.

In 1978, the Court ruled that a method for computing alarm limits in catalytic conversion was not a patentable process.<sup>31</sup> Distinguishing the English case of *Neilson v. Harford*,<sup>32</sup> which upheld a patent on a process of blowing hot air into a furnace, the Court wrote that a “process” is not patentable *per se* under Section 101. Rather, the inquiry regarding a process starts with “consider[ation] as if the principle or mathematical formula were well known,” and asks whether “the plaintiff had first invented a mode of applying it.”<sup>33</sup> The Court explained that, “[t]he obligation to determine what type of discovery is sought to be patented must precede the determination of whether that discovery is, in fact, new or obvious.” Still, the context of the analysis was limited to whether a particular claimed *process* was more than merely an unpatentable idea or principle. The Court cited *Risdon Iron & Locomotive Works*, another 19<sup>th</sup> Century opinion, which observed that, “[a] valid patent cannot be obtained for a process which involves nothing more

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<sup>30</sup> *Id.* at 70.

<sup>31</sup> *Parker v. Flook*, 437 U.S. 584 (1978).

<sup>32</sup> See *Neilson v. Harford*, Web. Pat. Cases 295, 371 (1844).

<sup>33</sup> *Parker*, 437 U.S. at 592-93, quoting *O'Reilly*, 15 How., at 115.

than the operation of a piece of mechanism—that is to say, for the function of a machine.”<sup>34</sup>

This brings us to *Diamond v. Diehr* in 1981, which upheld as valid patent claims on an “invention for a process of molding raw, uncured synthetic rubber into cured precision products.”<sup>35</sup> Here the Court also foreshadowed the issue, now integral to Step 2 of the *Alice* test, of how to assess a claim to a combination of old elements:

In determining the eligibility of respondents’ claimed process for patent protection under 101, their claims must be considered as a whole. It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis.<sup>36</sup>

As in *Gottschalk*, the claimed process incorporated a computer, of which the Court noted that, “if the computer use incorporated in the process patent significantly lessens the possibility of ‘overcuring’ or ‘undercuring,’ the process as a whole does not thereby become unpatentable subject matter.”<sup>37</sup>

After three more decades, the Court sought to put to rest this issue of the patentability of a process

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<sup>34</sup> *Risdon Iron & Locomotive Works v. Medart*, 158 U.S. 68 (1895).

<sup>35</sup> *Diehr*, 450 U.S. at 177.

<sup>36</sup> *Id.* at 187.

<sup>37</sup> *Id.* at 187.

under section 101 in a trio of cases—*Bilski*, *Mayo*, and *Alice*—with the announcement and refinement of a two-step framework.<sup>38</sup> *Bilski* invalidated patent claims for a process for hedging against price changes in the energy market; *Mayo* invalidated claims for a process to determine the appropriate dosage of thiopurine drugs to treat autoimmune diseases; and, *Alice* invalidated claims to a process for mitigating “settlement risk” in financial transactions by using a third-party intermediary.

*Alice* restated *Mayo*’s two-step “framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts analysis,” as follows:

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. If so, we then ask, ‘[w]hat else is there in the claims before us?’ To answer that question, we consider the elements of each claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application. We have described step two of this analysis as a search for an ‘inventive concept.’<sup>39</sup>

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<sup>38</sup> *Alice*, 134 S. Ct. 2347; *Mayo*, 132 S. Ct. 1289; *Bilski v. Kappos*, 561 U.S. 593 (2010).

<sup>39</sup> *Id.* at 2355 (internal citations omitted).

While Respondents will no doubt assert that the patents in *Alice* included “media” and “system” claims, not only “process” claims, that was essentially beside the point. The claims at issue were in effect all method claims or the equivalent. First, “Petitioner conceded below that its media claims rise or fall with its method claims.”<sup>40</sup> Subsequently, this Court determined that, “the system claims are no different from the method claims in substance. The method claims recite the abstract idea implemented on a generic computer; the systems claims recite a handful of generic computer components configured to implement the same idea.”<sup>41</sup>

As set forth next, nothing about the framework of *Bilski-Mayo-Alice*, or the logic or case law leading up to it, instructs or authorizes lower courts to apply it to *all* patent claims, including pure “machine” claims under 101 like those at issue in this petition.

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<sup>40</sup> *Id.* at 2360. The media claims were written in a form known as “*Beauregard* claims,” which was designed to get around earlier precedent limiting software claims by claiming software code stored in a tangible, machine-readable medium, that causes a computer to perform a process. See *In Re Beauregard*, 53 F. 3d 1583 (Fed. Cir. 1995); see Ryan Sharp, *Can Beauregard Claims Show You the Money?*, 2 *Cybaris: Intell. Prop. L. Rev.* 25 (2011).

<sup>41</sup> *Alice*, 134 S. Ct. at 2360. The Court focused on method claim 33 of U.S. Patent No. 5,970,479 as representative. Claim 1 of the patent was to, “[a] computer-based data processing system to enable the formulation of customized multi-party risk management contracts having a future time of maturity,” and listed input, storage, and processing means as elements. The claim went on, like a *Beauregard* claim, to describe the process a generic computer would be programmed to perform.

Straying so far from the roots and letter of the *Alice* decision ultimately would become, in effect, a judicial adoption of Plato's "Theory of Forms."<sup>42</sup> In other words, even for every physical object in the world one could believe that a more-real, perfect version existed already in another realm, and those abstract forms would invalidate every single patent.

The decision below, if it stands, will "eviscerate" patent law, despite *Mayo's* warning. Indeed, the uncorrected misapplication of this Court's patentability standards threatens to wreak unintended havoc on a broad swath of America's technology-based businesses who rely on patent protection as provided for in the Constitution.

## B. THE DECISION BELOW MISAPPLIED STEP ONE OF THE *ALICE* ANALYSIS.

As recently as last month, during oral argument in another Section 101 appeal, a judge of the Federal Circuit openly acknowledged that *Alice* has created "tremendous uncertainty," and suggested he "need[ed] help in understanding how to think about the Supreme Court's abstract idea concept . . . ."<sup>43</sup> In the present matter, the Delaware district court woefully misapplied the first step of the test and the Federal Circuit ducked its responsibility to review and correct this erroneous reasoning on appeal. The decision below granted

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<sup>42</sup> For a high-level summary, see generally <http://www.theologicalstudies.org/resource-library/philosophy-dictionary/158-platos-theory-of-forms>

<sup>43</sup> See *Westinghouse*, 170 U.S. at 556.

early summary judgment based upon a finding that all of the claims are directed to an “abstract idea.”

Tellingly, the district court struggled mightily to define the abstract idea at issue, and came up with multiple different characterizations, some blatantly inconsistent with others, each at a different level of abstraction, in reaching its decision:

- the “abstract concept [or ‘idea,] of cataloguing,”
- the “abstract idea” of “*computerized* cataloguing of documents to facilitate their retrieval from storage”;
- “the abstract idea of cataloguing documents to facilitate their retrieval from storage *in the field of remote computing*”<sup>44</sup>; and,
- The idea of “document cataloguing *in the realm of portable computing*.”<sup>45</sup>

The lower courts failed to reconcile, for example, that the claimed computer elements could be remote but not portable, or portable but not remote—or both remote and portable. Accordingly, each attempted definition of the supposed “abstract idea” here would

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<sup>44</sup> The word “remote” is not in any claim, but appears five times in the specification suggesting that “remote” means some distance away, and explicitly describes something in a second building as being “remote from the first [building].” JA0049 (321 Patent 8:5-9).

<sup>45</sup> Pet. App. 11a-35a.

lead to an entirely different scope, and trigger distinct potential legal consequences under *Alice*, had either lower court analyzed any of them fully.

Above all, in this first step of the framework, the appealed decision overlooked that the '321 and '997 Patents indisputably claim a tangible "machine" comprising a concrete combination of hardware and data structures, with certain specified capabilities, or at least an improvement to one. None of the asserted claims were to a process (or analogous to claiming a process, as in the media or system claims of *Alice*), and they should not have given rise to the attempt to define an abstract idea in the first place.

To the contrary, the '321 and '997 Patents include individual elements of a claimed combination—the portable devices, the document references, and the medium of communication for such data structures to these devices—which were ground breaking. While each of these technologies incorporated and embodied novel developments in its own right, the combinations invented by Mr. Lamming and Mr. Flynn in Xerox's laboratories, more importantly, amounted to something totally new and different than what existed previously. The district court wrongly dismissed each separate element as conventional, already well-known, and generic, and failed to consider the true significance of the combinations as a whole.

The claimed combinations cover a patent-eligible distributed machine, and the data structures it stores and transports by way of its hardware, something entirely physical and concrete—or, at the

very least, a significant improvement to one. Even viewed conceptually, the limitations recite a claim scope far narrower than the abstract idea of computerized cataloguing of documents to facilitate their retrieval from storage in all its forms. The claims do not monopolize the application of that abstract idea merely as applied to purely conventional technology. And they cannot correctly be said to preempt the field of all cataloguing of documents simply by application of a general purpose computer.

In addition to the hardware elements, the '321 and '997 Patents' claims recite not only data (electronic documents and electronic document references), but that these are data structures that reside in particular physical memories of specified, relative storage capacities. Furthermore, tangible transceivers transport data in these formats between the physical devices with the distinct memories, including at least one that must be portable. All of this is claimed in various combinations in the asserted claims of the '321 and '997 Patents. And asserted claims 15 and 17 of the '321 Patent, in particular, claim the "portable electronic document reference transport device" itself, in isolation.

The '321 and '997 Patents solved prohibitive problems in the prior art with portable device memory size and usage—in the early 1990s—by providing a system of electronic document references that could request and transfer electronic documents from a database with more memory capacity than a portable device. Through the use of the electronic document references, and a central database, a

portable device with significantly less memory capacity can nonetheless effectively carry an almost unlimited selection of documents on-demand. The claims thus represent key improvements to the functioning of the hardware itself, and ultimately improve a combined distributed machine, by allowing access to more documents than the available memory capacity of a portable device.

The memory capacity of a prior art mobile device single-handedly dictated the number and size of documents that a user could store. A user of the claimed system faces no such limitation because “a copy of an electronic document can be produced from the associated electronic document reference, whose memory requirements are generally much less than those of the associated electronic document.”<sup>46</sup>

Accordingly, these claims are directed to “peculiar combination[s] of devices” distinct from “other machines” at the time of filing, and deserve patent protection under Section 101 like any other useful, new, non-obvious machine.<sup>47</sup>

This Court cautioned in *Parker v. Flook* that, “[t]he concept of patentable subject matter under § 101 is not ‘like a nose of wax which may be turned and twisted in any direction . . . .’”<sup>48</sup> That warning cuts both ways. The lower court result here contorts

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<sup>46</sup> Federal Circuit Appeal Appendix, JA0400 (321 Patent, Prosecution History, Amendment, May 1998 at 7).

<sup>47</sup> See *Westinghouse*, 170 U.S. at 556.

<sup>48</sup> *Parker*, 437 U.S. at 590 (quoting *White v. Dunbar*, 119 U.S. 47, 51 (1886)).

the *Alice* decision beyond recognition, and ultimately contradicts this Court's precedent and contravenes the statutory scope of patentability found in Section 101. Consequently, the petition should be granted.

**C. THE LOWER COURT'S STEP TWO ANALYSIS IS INCONSISTENT WITH § 103 AND *GRAHAM v. DEERE*.**

As Judge Rich related contemporaneously, Sections 102 and 103 were included in the patent code to establish statutorily what is new and non-obvious for purposes of patentability. This Court followed with decisions such as *Graham v. Deere* interpreting and implementing Congress's design for securing inventors' constitutional exclusive rights.<sup>49</sup> Together this should have precluded the "Theory of Forms" problem identified above, because patent claims would be invalidated only in light of limited categories of "prior art," not simply any self-serving abstraction an accused infringer can conjure up.

Instead, courts today are invalidating claims, including Cloud Satchel's claims to a concrete combination of devices, at early stages of cases, without the development of evidence or the input of expert witnesses, and without affording patent claims the presumption of validity or holding challengers to the clear and convincing evidentiary burden of proof applicable to prior art defenses.<sup>50</sup>

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<sup>49</sup> See *Graham*, 383 U.S. 1.

<sup>50</sup> Memorandum Opinion, Pet. App. 17a.

Under the *Alice* framework, if—and only if—a court determines that patent claims are directed to one of the exceptions “laws of nature, natural phenomena, and abstract ideas,” does the analysis proceed to the second step: “a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”<sup>51</sup> To satisfy step two, “[a] claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’”<sup>52</sup> In step two, use of a “generic computer” alone to implement the abstract idea is insufficient.<sup>53</sup> Rather, as explained in *Alice*, “the relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer.”<sup>54</sup>

When the trial court moved on to the second step of the analysis (after incorrectly finding Cloud Satchel’s claims directed to no more than a vague abstract idea), its reasoning again forced machine claims into a “process” validity analysis that

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<sup>51</sup> *Id.* at 2355, quoting *Mayo*, 132 S. Ct. 1289.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at 2358 (“These cases demonstrate that the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”)

<sup>54</sup> *Id.* at 2359.

overlooked all of the physical components of the distributed machine. In doing so, the court ruled, without analysis or any meaningful consideration of evidence, that “the claimed computer and hardware elements of the claim subsystem are generic.”<sup>55</sup>

In reaching this conclusion, the court failed to apply the proper definition of a “generic computer.” Instead of establishing the state of the art *at the time of the invention*, in order to determine what was a generic or conventional back then, the district court wrongly used modern technology as the starting point, as if it were prior art, and framed its analysis entirely in the present, using hindsight.

In *Graham*, this Court addressed a similar concern with evaluating validity in under 35 U.S.C. § 103. In that case, the Court noted that:

Such inquiries may lend a helping hand to the judiciary which, as Mr. Justice Frankfurter observed, is most ill-fitted to discharge the technological duties cast upon it by patent legislation. They may also serve to “guard against slipping into use of hindsight,” and to resist the temptation to read into the prior art the teachings of the invention in issue.<sup>56</sup>

The lower court decision in this case falls directly into the trap that this Court warned against in *Graham*, and runs afoul of Judge Rich’s warning

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<sup>55</sup> Memorandum Opinion at Pet. App. 33a.

<sup>56</sup> 383 U.S. 1 (1966) (citations omitted).

that the judiciary not “crawl away” from Section 103.<sup>57</sup> The lower court did not examine a conventional computer at the time of the invention, but rather applied the current view of computer elements to structural elements of the claims.

The patent refers dismissively to the IR capabilities of the Apple Newton,<sup>58</sup> which was brand new at the time, the first model having entered the market in August of 1993<sup>59</sup>—less than a year before Cloud Satchel’s filing date, but almost certainly after the date of invention.<sup>60</sup> The ’321 and ’997 Patents also describe and depict the use of the new Satchel technology with cellular data cards or incorporated into a pager or mobile phone<sup>61</sup>—again something that was cutting edge back in 1994. Finally, but not exhaustively, the dynamic URL data structure was itself in its very infancy in 1994, as the patents make clear by citing multiple contemporaneous articles.<sup>62</sup>

The inventors integrated not just one of these elements, they used all three in new combinations of

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<sup>57</sup> See supra note 14 and accompanying text.

<sup>58</sup> See ’321 Patent 2:22-30, Federal Circuit Appeal, JA 46.

<sup>59</sup> See *The Apple Newton MessagePad*, WIKIPEDIA.COM , <http://en.wikipedia.org/wiki/MessagePad> (last visited May 4, 2015) (in 1993 a Newton sold for \$900).

<sup>60</sup> Because this was an early summary judgment motion, before *Markman*, before the close of fact discovery, and without input from expert witnesses, many important aspects of the case including the date of invention were not developed yet.

<sup>61</sup> See ’321 Patent Figure 6(g) and 12:33-38, Federal Circuit Appeal, JA 44 and JA 51.

<sup>62</sup> See ’321 Patent 4:58-5:17, *Id.* JA 47-48.

hardware, data structures, and capabilities that improved the functioning of the claimed devices and overall machine themselves. No matter which version of the alleged “abstract idea” the Court examines, it is undeniable that the claims of the patents *do more than* “simply instruct the practitioner to implement the abstract idea . . . on a generic computer.”<sup>63</sup>

Even worse, the district court applied the wrong version of a “generic computer.” To allow the lower court to apply 2014 technology standards to determine what was “conventional” in 1994 does exactly what this Court warned against in *Mayo* - “eviscerate patent law.”<sup>64</sup> Applying the 1994 definition of a “conventional computer” to the ’321 and ’997 Patents results in a significantly different conclusion for step two of the analysis. The claims *do* contain a combination of elements that are “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”<sup>65</sup>

Because the application of *Alice* step two here preempts the statutory scheme for patent validity, and its implementation by this Court’s opinions, with all the normal protections for the holder of a presumed-valid United States patent, thus depriving Cloud Satchel unfairly of its constitutional exclusive rights, the petition should be granted.

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<sup>63</sup> *Id.* at 2359.

<sup>64</sup> *Mayo*, 566 U. S. at 1293.

<sup>65</sup> *Id.* at 1294.

### III. THE FEDERAL CIRCUIT'S USE OF FEDERAL RULE OF APPELLATE PROCEDURE 36 TO AFFIRM HERE IS CONTRARY TO THE RIGHT OF APPEAL SET FORTH IN 28 U.S.C. § 1295(a).

The Court of Appeals for the Federal Circuit was created by Congress in 1982 for the express purpose of “reduc[ing] the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law.”<sup>66</sup>

28 U.S. C. § 1295(a)(1) grants the Federal Circuit exclusive jurisdiction over “an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on [28 U.S. C.] section 1338 . . . .” Section 1338(a), in turn, provides in relevant part that “the district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . . . .”

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<sup>66</sup> *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 813, 108 S. Ct. 2166, 100 L. Ed. 2d 811 (2000) (quoting H. R. Rep. No. 97-312, p. 23 (1981)); see also *Markman v. Westview Instruments*, 517 U.S. 370, 390 (1996) (“It was just for the sake of such desirable uniformity that Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases, H. R. Rep. No. 97-312, pp. 20-23 (1981), observing that increased uniformity would “strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.”).

Appellate Rule 36(a), entitled “Entry of Judgment; Notice,” provides:

(a) Entry. A judgment is entered when it is noted on the docket. The clerk must prepare, sign, and enter the judgment:

(1) after receiving the court’s opinion — but if settlement of the judgment’s form is required, after final settlement; or

(2) if a judgment is rendered without an opinion, as the court instructs.

The Federal Circuit has modified Rule 36, which it titles, “Entry of Judgment – Judgment of Affirmance Without Opinion,” as follows:

The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:

(a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;

(b) the evidence supporting the jury’s verdict is sufficient;

(c) the record supports summary judgment, directed verdict, or judgment on the pleadings;

(d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

(e) a judgment or decision has been entered without an error of law.<sup>67</sup>

The most prevalent and significant issue facing litigants of patent rights today is the proper application of this Court's decision in *Alice* to cases involving computer and internet technology. Almost every case asserting infringement of a computer technology patent faces a motion to dismiss based on Section 101 and the tests set forth in *Alice*.<sup>68</sup>

The exclusive jurisdiction set forth in 28 U.S. C. § 1295(a)(1) leaves the Federal Circuit as the lone gatekeeper below this Court to ensure that the trial courts are properly applying 35 U.S.C. § 101. The Federal Circuit, however, has failed to satisfy that gatekeeper function in this and similar cases. Instead of an opinion explaining the basis for its exercise of exclusive jurisdiction and affirmation of the district court's decision, the Federal Circuit provided a single word: Affirmed.

Especially when an appeal like this one raises timely and critical questions about the meaning and

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<sup>67</sup> A side-by-side comparison of the Rules is available at the Federal Circuit's website. See <http://www.cafc.uscourts.gov/sites/default/files/rules-of-practice/rules.pdf>

<sup>68</sup> See <http://www.law360.com/articles/604235/a-survey-of-patent-invalidations-since-alice>

scope of a major decision of this Court, namely *Alice* and its two-step test for patent-eligibility, a reasoned opinion that would provide the parties in this case an explanation of whether (and if so how) the district court applied 35 U.S.C. § 101 in a manner consistent with Supreme Court precedent and the full statutory scheme of the patent code. A reasoned opinion would also provide district courts with additional guidance on how to avoid improperly applying *Alice* and 35 U.S.C. § 101 simply because the patent claims involve computers. The Federal Circuit, however, has reduced the right to appeal set forth in 28 U.S.C. § 1295(a)(1) to simply the right to a hollow affirmation of an improper lower court opinion. In sum, while the petition should be granted for a full review by this Court, at minimum the judgment below should be vacated and the Federal Circuit should be ordered to provide an accounting of its reasoning to facilitate further review.

## CONCLUSION

For the foregoing reasons, the Court should grant Cloud Satchel's petition and issue a writ of certiorari to review the judgement of the U.S. Court of Appeals for the Federal Circuit. At the very least, the Court should vacate the judgment below and remand with instructions to the Federal Circuit to issue a proper, reviewable opinion on these important questions of patent law.

Respectfully submitted,

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# APPENDIX

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UNITED STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT

NOTICE OF ENTRY OF JUDGMENT WITHOUT  
OPINION

JUDGMENT ENTERED: 12/17/2015

The judgment of the court in your case was entered today pursuant to Rule 36. This Court affirmed the judgment or decision that was appealed. None of the relief sought in the appeal was granted. No opinion accompanied the judgment. The mandate will be issued in due course.

Information is also provided about petitions for rehearing and for rehearing en banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

Costs are taxed against the Appellant in favor of the appellee under Rule 39. The party entitled to costs is provided a bill of costs form and an instruction sheet with this notice.

The parties are encouraged to stipulate to the costs. A bill of costs will be presumed correct in the absence of a timely filed objection.

Costs are payable to the party awarded costs. If costs are awarded to the government,

they should be paid to the Treasurer of the United States. Where costs are awarded against the government, payment should be made to the person(s) designated under the governing statutes, the court's orders, and the parties' written settlement agreements. In cases between private parties, payment should be made to counsel for the party awarded costs or, if the party is not represented by counsel, to the party pro se. Payment of costs should not be sent to the court. Costs should be paid promptly.

If the court also imposed monetary sanctions, they are payable to the opposing party unless the court's opinion provides otherwise. Sanctions should be paid in the same way as costs.

Regarding exhibits and visual aids: Your attention is directed to FRAP 34(g) which states that the clerk may destroy or dispose of the exhibits if counsel does not reclaim them within a reasonable time after the clerk gives notice to remove them. (The clerk deems a reasonable time to be 15 days from the date the final mandate is issued.)

For the court

/s/ Daniel E. O'Toole  
Daniel E. O'Toole  
Clerk of the Court

15-1261 - Cloud Satchel, LLC v. Barnes & Noble, Inc.  
United States District Court for the District of  
Delaware, Case No. 1:13-cv-00942-SLR-SRF

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

**CLOUD SATCHEL, LLC,**  
*Plaintiff-Appellant*

v.

**BARNES & NOBLE, INC., AMAZON.COM,**  
*Defendants-Appellees*

2015-1261, 2015-1262

Appeals from the United States District Court for the District of Delaware in No. 1:13-cv-00942-SLR-SRF, Judge Sue L. Robinson.

## **JUDGMENT**

DAVID P. SWENSON, Farney Daniels PC, Minneapolis, MN, argued for appellant. Also represented by PETER THOMAS.

ABBY M. MOLLEN, Barlit Beck Herman Palenchar & Scott LLP, Chicago, IL, argued for appellees. Appellee Barnes & Noble, Inc., also represented by JAMES S. BLACKBURN, Arnold & Porter, LLP, Los Angeles, CA; MATTHEW WOLF, Washington, DC; Willow White Noonan, San Francisco, CA. Appellee Amazon.com also represented by ADAM MORTARA, Bartlit Beck Herman Palenchar & Scott LLP, Chicago, IL; JEFFREY H. DEAN, Amazon.com, Inc., Seattle, WA.

THIS CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge*, CLEVINGER and MOORE, *Circuit Judges*).

**AFFIRMED. See Fed. Cir. R. 36.**

ENTERED BY ORDER OF THE COURT

December 17, 2015  
Date

/s/ Daniel E. O'Toole  
Daniel E. O'Toole  
Clerk of Court

# UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

## *Questions and Answers*

Petitions for Panel Rehearing (Fed. Cir. R. 40)  
And Petitions for Hearing or Rehearing En  
Banc (Fed. Cir. R. 35)

*Q. When is a petition for panel rehearing appropriate?* Thus, as a usual prerequisite,

A. Petitions for panel rehearing are rarely considered meritorious. the court must have Consequently, it is easiest to first filed an answer when a petition for panel opinion in rehearing is not appropriate. A support of petition for panel rehearing should its judgment not be used to reargue issues for a petition already briefed and orally argued. If for panel a party failed to persuade the court rehearing to on an issue in the first instance, be they do not get a second chance. appropriate. This is especially so when the court Counsel has entered a judgment of seeking affirmance without opinion under panel Fed. Cir. R. 36, as a disposition of rehearing this nature is used only when the must be able appellant/petitioner has utterly to identify in failed to raise any issues in the the court's appeal that require an opinion to be opinion a written in support of the court's material judgment of affirmance. error of fact or law, the

correction of which would require a different judgment on appeal.

Q. *When is a petition for rehearing en banc appropriate?*

A. En banc decisions are extraordinary occurrences. To properly answer the question, one must first understand the responsibility of a three-judge panel of the court. The panel is charged with deciding individual appeals according to the law of the circuit as established in the court's precedential opinions. While each merits panel is empowered to enter precedential opinions, the ultimate duty of the court en banc is to set forth the law of the Federal Circuit, which merits panels are obliged to follow.

Thus, as a usual prerequisite, a merits panel of the court must have entered a precedential opinion in support of its judgment for a petition for rehearing en banc to be appropriate. In addition, the party seeking rehearing en banc must show that either the merits panel has failed to follow decisions of the Supreme Court of the United States or Federal Circuit precedential

opinions, or that the Merits panel has followed circuit precedent, which the party seeks to have overruled by the court en banc.

Q. *How frequently are petitions for panel rehearing granted by merits panels or petitions for rehearing en banc granted by the court?*

A. The data regarding petitions for panel rehearing since 1982 shows that merits

panels granted some relief in only three percent of the petitions filed. The relief granted usually involved only minor corrections of factual misstatements, rarely resulting in a change of outcome in the decision.

En banc petitions have been granted less frequently. Historically, the court has initiated en banc review in a few of the appeals decided en banc since 1982.

*Q. Is it necessary to have filed either of these petitions before filing a petition for certiorari in the U.S. Supreme Court?*

A. No. All that is needed is a final judgment of the Court of Appeals.

UNITED STATES COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT  
INFORMATION SHEET  
FILING A PETITION FOR A WRIT OF  
CERTIORARI

There is no automatic right of appeal to the Supreme Court of the United States from judgments of the Federal Circuit. You must file a petition for a writ of certiorari which the Supreme Court will grant *only* when there are compelling reasons. (See Rule 10 of the Rules of the Supreme Court of the United States, hereinafter called Rules.)

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Revised December 16, 1999

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

CLOUD SACHEL, LLC.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civ. No. 13-941-SLR
	)	Civ. No. 13-942-SLR
AMAZON.COM, INC.	)	
BARNES & NOBLE, INC.	)	
	)	
Defendants.	)	

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## MEMORANDUM OPINION

Dated: December 18, 2014  
Wilmington, Delaware

  
**ROBINSON**, District Judge

### I. INTRODUCTION

On May 24, 2013, plaintiff Cloud Satchel ("plaintiff") instituted suit against defendant Amazon.com, Inc. ("Amazon") and defendant Barnes & Noble, Inc. ("Barnes & Noble") (collectively, "defendants"), alleging infringement of U.S. Patent Nos. 5,862,321 ("the '321 patent") and 6,144,997 ("the '997 patent"). (D.I.1)<sup>1</sup> On July 29, 2013, Amazon answered and asserted the affirmative defenses of non-infringement, invalidity, constitutional limitation of damages, and waiver, laches and/or estoppel. (D.I. 10) On the same date, Barnes & Noble answered and asserted the affirmative defenses of failure to state

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<sup>1</sup> Document references are to civil action Civ. No. 13-941-SLR (naming Amazon as defendant) unless otherwise noted.

a claim, invalidity, non-infringement, waiver, acquiescence and/or consent, laches, estoppel, unclean hands, statutory bar to damages, no injunctive relief, mitigation of damages, and lack of intent. (D.I. 8) Barnes & Noble also asserted counterclaims for non-infringement and invalidity. (*Id.*)

Although the parties have submitted competing claim construction briefs, the court has not yet issued a decision on claim construction.<sup>2</sup> The defendants sought and obtained leave to file a joint motion for summary judgment of invalidity pursuant to 35 U.S.C. § 101. (D.I. 61) The joint motion for summary judgment of invalidity is presently pending before the court. (D.I. 82). The court has jurisdiction pursuant to 28 U.S.C. §§1331 and 1338(a).

## II. BACKGROUND

### A. The Parties

Plaintiff is a limited liability company organized under the laws of the State of Delaware with its principal place of business in Wilmington,

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<sup>2</sup> In *Bancorp Services, L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, the Federal Circuit held that "claim construction is not an inviolable prerequisite to a validity determination under §101." 687 F.3d. 1266, 1273 (Fed. Cir. 2012). In the present case, the court does not find that claim construction would alter the outcome of the court's analysis even if the court were to wholly embrace plaintiff's proposed claim constructions.

Delaware.

Amazon is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Seattle, Washington. Amazon is the world's leading online retailer and pioneered the eReader, Kindle®.

Barnes & Noble is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in New York, New York. Barnes & Noble is the nation's largest retail bookseller and a leading retailer of content, digital media and educational products. In 2009, it launched the NOOK® line of eReaders and tablets that allow users to buy and read eBooks and other digital content.

## **B. Technology Overview**

The '321 patent, titled "System and Method For Accessing And Distributing Electronic Documents," was filed on June 21, 1995 and issued on January 19, 1999. The '997 patent, titled "System and Method For Accessing And Distributing Electronic Documents," was filed on October 28, 1998 and issued on November 7, 2000. The patents share a specification.<sup>3</sup>

The asserted patents acknowledge that the state of the art at the time of filing encompassed storing electronic documents on handheld computers, "e.g. the Apple® Newton," and transferring electronic documents from one portable computer to another. ('321 patent, col. 2:22-24) However, the patents describe various

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<sup>3</sup> Specification references are to the '321 patent unless otherwise noted.

deficiencies with the current technology, including "very slow" transfer of documents between machines and difficulty storing "large numbers of electronic documents" on portable computers. (*Id.* at col. 2:22-35)

The patents are directed to systems, devices, and methods for enabling the transmission and storage of document references or "tokens," each of which is associated with an electronic document stored in a database. This enables mobile users to access all of their electronic documents without being limited by the memory available on a mobile device. (*Id.* at col. 3:36-37) The electronic document references, which identify electronic documents stored in a database, can be passed back and forth between the central database and the portable device, or between the portable device and other devices. (*Id.* at col. 3:56-59) A device can use the electronic document reference to request delivery of the full electronic document from the database. (*Id.* at col. 3:40-43, 4:57-58, 9:10-18)

### III. STANDARDS OF REVIEW

#### A. Summary Judgment

"The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The moving party bears the burden of demonstrating the absence of a genuine issue of material fact. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 415 U.S. 574, 586 n.10 (1986).

A party asserting that a fact cannot be or, alternatively, is genuinely disputed must support the assertion either by citing to "particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations (including those made for the purposes of the motions only), admissions, interrogatory answers, or other materials," or by "showing that the materials cited do not establish the absence or presence of a genuine dispute, or that an adverse party cannot produce admissible evidence to support the fact." Fed. R. Civ. P. 56(c)(1)(A) & (B). If the moving party has carried its burden, the nonmovant must then "come forward with specific facts showing that there is a genuine issue for trial." *Matsushita*, 415 U.S. at 587 (internal quotation marks omitted). The court withdraw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence." *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000).

To defeat a motion for summary judgment, the non-moving party must "do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita*, 415 U.S. at 586-87; see also *Podohnik v. U.S. Postal Service*, 409 F.3d 584, 594 (3d Cir. 2005) (stating party opposing summary judgment "must present more than just bare assertions, conclusory allegations or suspicions to show the existence of a genuine issue") (internal quotation marks omitted). Although the "mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for

summary judgment," a factual dispute is genuine where "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 411 U.S. 242, 247-48 (1986). "If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted." *Id.* at 249-50 (internal citations omitted); see also *Celotex Corp. v. Catrett*, 411 U.S. 317, 322 (1986) (stating entry of summary judgment is mandated "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial").

## B. Invalidity

The standard of proof to establish the invalidity of a patent is "clear and convincing evidence." *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1058 (Fed. Cir. 2004); see also, *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1338-39 (Fed. Cir. 2013), vacated sub nom. *WildTangent, Inc. v. Ultramercial, LLC*, --U.S.--, 134 S.Ct. 2870 (2014). Whether a claim is drawn to patent-eligible subject matter under 35 U.S.C. § 101 is a threshold inquiry to be determined as a matter of law in establishing the validity of the patent. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1277 (Fed. Cir. 2013), *aff'd*, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, --U.S.--, 134 S.Ct. 2347 (2014); *In re Bilski*, 545 F.3d 943, 950 (Fed. Cir. 2008) (citing *In re Comiskey*, 499 F.3d 1365, 1371 (Fed. Cir. 2007)) ("*Bilski I*"). Section 101 provides that patentable subject matter extends to four broad categories, including: "new and useful

process[es], machine[s], manufacture, or composition[s] of matter." 35 U.S.C. § 101; see also *Bilski v. Kappas*, 561 U.S. 593, 601 (2010) ("*Bilski II*"); *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980). A "process" is statutorily defined as a "process, art or method, and includes a new use of a known process, machine manufacture, composition of matter, or material." 35 U.S.C. § 100(b). The Supreme Court has explained:

A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery. In the language of the patent law, it is an art. The machinery pointed out as suitable to perform the process may or may not be new or patentable; whilst the process itself may be altogether new, and produce an entirely new result. The process requires that certain things should be done with certain substances, and in a certain order; but the tools to be used in doing this may be of secondary consequence.

*Diamond v. Diehr*, 450 U.S. 175, 182-83 (1981) (internal quotations omitted).

The Supreme Court recognizes three "fundamental principle" exceptions to the Patent Act's subject matter eligibility requirements: "laws of nature, physical phenomena, and abstract

ideas." *Bilski II*, 561 U.S. at 601. The Supreme Court has held that "[t]he concepts covered by these exceptions are 'part of the storehouse of knowledge of all men ... free to all men and reserved exclusively to none.'" *Bilski II*, 561 U.S. at 602 (quoting *Funk Bros. Seed Co. v. Kala Inoculant Co.*, 333 U.S. 127, 130 (1948)). "[T]he concern that drives this exclusionary principle is one of pre-emption," that is, "that patent law not inhibit further discovery by improperly tying up the future use of these building blocks of human ingenuity." *Alice*, 134 S.Ct. at 2354 (citing *Bilski II*, 561 U.S. at 611-12 and *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 566 U.S. --, 132 S.Ct. 1289, 1301 (2012)).

Although a fundamental principle cannot be patented, the Supreme Court has held that "an **application** of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection," so long as that application would not preempt substantially all uses of the fundamental principle. *Bilski II*, 561 U.S. at 612 (quoting *Diehr*, 450 U.S. at 187) (internal quotations omitted); *Bilski I*, 545 F.3d at 954. The Supreme Court recently reiterated the

framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts. First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. If so, we then ask, "[w]hat else is there in the claims before us?" To answer that

question, we consider the elements of each claim both individually and "as an ordered combination" to determine whether the additional elements "transform the nature of the claim" into a patent-eligible application. We have described step two of this analysis as a search for an "inventive concept"—i.e., an element or combination of elements that is "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself."

*Alice Corp.*, 134 S.Ct. at 2355 (citing Mayo, 132 S.Ct. at 1294, 1296-98).<sup>4</sup> "[T]o transform an unpatentable law of nature into a patent-eligible **application** of such a law, one must do more than simply state the law of nature while adding the words 'apply it.'" Mayo, 132 S.Ct. at 1294 (citing *Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972)). It is insufficient to add steps which "consist of well-understood, routine, conventional activity," if

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<sup>4</sup> The machine-or-transformation test still may provide a "useful clue" in the second step of the *Alice* framework. *Ultramercial, Inc. v. Hulu, LLC*, Civ. No. 2010-1544, 2014 WL 5904902, at \*6 (Fed. Cir. November 14, 2014) (citing *Bilski II*, 561 U.S. at 604 and *Bancorp Servs., L.L.C., v. Sun Life Assurance Co. of Can.*, 687 F.3d 1266, 1278 (Fed. Cir. 2012)). A claimed process can be patent-eligible under §101 if: "(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008) (en banc), *aff'd on other grounds*, *Bilski II*, 561 U.S. 593.

such steps, "when viewed as a whole, add nothing significant beyond the sum of their parts taken separately." *Id.* at 1298. "Purely 'conventional or obvious' '[pre]-solution activity' is normally not sufficient to transform an unpatentable law of nature into a patent-eligible application of such a law." *Id.* (citations omitted). Also, the "prohibition against patenting abstract ideas 'cannot be circumvented by attempting to limit the use of the formula to a particular technological environment' or adding 'insignificant postsolution activity.'" *Bilski II*, 561 U.S. at 610-11 (citation omitted). For instance, the "mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice*, 134 S.Ct. at 2358. "Given the ubiquity of computers, wholly generic computer implementation is not generally the sort of 'additional featur[el]' that provides any 'practical assurance that the process is more than a drafting effort designed to monopolize the [abstract ideal] itself.'" *Id.* (citations omitted).

The court finds the comparison of *Bancorp Servs., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266 (Fed. Cir. 2012), to *SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319 (Fed. Cir. 2010), instructive. In *Bancorp*, where the asserted patents disclosed "specific formulae for determining the values required to manage a stable value protected life insurance policy," the district court granted summary judgment of invalidity under § 101. *Bancorp*, 687 F.3d at 1270. Under the machine prong of the machine or transformation test, the district court found that "the specified computer components are no more

than objects on which the claimed methods operate, and that the central processor is nothing more than a general purpose computer programmed in an unspecified manner." *Id.* at 1273. In affirming the district court's findings, the Federal Circuit explained that

the use of a computer in an otherwise patent-ineligible process for no more than its most basic function – making calculations or computations – fails to circumvent the prohibition against patenting abstract ideas and mental processes. As we have explained, "[s]imply adding a 'computer aided' limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible." *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012).

To salvage an otherwise patent-ineligible process, a computer must be integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not.

*Id.* at 1278. Ultimately, the Federal Circuit concluded that "[t]he computer required by some of Bancorp's claims is employed only for its most basic function, the performance of repetitive calculations, and as such does not impose meaningful limits on the scope of those claims." *Id.* at 1278.

In contrast to *Bancorp*, the Federal Circuit in *SiRF* found that a GPS receiver was "integral"

to the claims at issue and, therefore, the machine or transformation test was satisfied. *SIRF*, 601 F.3d at 1332. As in *Bancorp*, the *SIRF* Court emphasized that a machine will only "impose a meaningful limit on the scope of a claim [when it plays] a significant part in permitting the claimed method to be performed, rather than function solely as an obvious mechanism for permitting a solution to be achieved more quickly, i.e., through the utilization of a computer for performing calculations." *Id.* at 1333. After noting how the GPS receiver was specifically involved in each step of the method, the Court concluded that "the use of [the] GPS receiver is essential to the operation of the claimed methods." *Id.*

In sum, although it is "clear that computer-based programming constitutes patentable subject matter so long as the basic requirements of [35 U.S.C.] § 101 are met," *AT&T*, 172 F.3d at 1360, the requirements of § 101 as applied to this area of technology have been a moving target, from the complete rejection of patentability for computer programs<sup>5</sup> to the much broader enunciation of the test in *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943., that is, "a computer-implemented invention was considered patent-eligible so long as it produced a 'useful, concrete and tangible result.'" *DDR Holdings, LLC v. Hotels. Com, L.P.*, Civ. No. 2013-1505, 2014 WL 6845152, at \*10 (Fed. Cir.

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<sup>5</sup> See, e.g., 33 Fed. Reg. 15581, 15609-10 (1968). Indeed, in his dissent in *Diamond v. Diehr*, 450 U.S. 175 (1981), Justice Stevens's solution was to declare all computer-based programming unpatentable. *Id.* at 219.

Dec. 5, 2014). As instructed by the Federal Circuit in *DDR Holdings*, the Court's most recent attempt to bring clarity to this area of the law: (1) "recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible," *id.* at \*9; (2) "mathematical algorithms, including those executed on a generic computer, are abstract ideas," *id.*; (3) "some fundamental economic and conventional business practices are also abstract ideas," *id.*; and (4) general use of the Internet "to perform an abstract business practice (with insignificant added activity)" does not pass muster under § 101, *id.* at \*12. In order for claims addressing "Internet-centric challenges" to be patent eligible,<sup>6</sup> the claims must do more than

recite a commonplace business method aimed at processing business information, applying a known business process to the particular technological environment of the Internet, or creating or altering contractual relations using generic computer functions and conventional network operations, such as the claims in *Alice*, *Ultramercial*, *buySAFE*, *Accenture*, and *Bancorp*.

*Id.* (citing *Alice*, 134 S.Ct. at 2359; *Ultramercial*, 2014 WL 5904902, at \*5, *buySAFE, Inc. v. Google*,

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<sup>6</sup> Although the court understands that the advent of the Internet inspired countless inventive ways of accomplishing routine tasks better, faster, cheaper – indeed, both the PTO and the Federal Circuit considered such ingenuity sufficiently inventive under §101 to be patent eligible – apparently such is not the case under current legal reasoning.

*Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344-45 (Fed. Cir. 2013); *Bancorp*, 687 F.3d at 1278).

#### IV. DISCUSSION

Defendants allege that the asserted claims<sup>7</sup> are drawn to unpatentable subject matter under 35 U.S.C. § 101. Claim 1 of the '321 patent, which is representative of all three independent claims, discloses:

1. A distributed system for accessing and distributing electronic documents using electronic document references, the distributed system comprising:

a) a database of electronic documents and electronic document references stored in a first memory having a first capacity, each electronic document having an associated document

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<sup>7</sup> Plaintiff asserts independent claims 1 and 15 and dependent claims 5, 7, 8 and 17 of the '321 patent, and independent claim 1 and dependent claims 4, 15 and 16 of the '997. Defendants concede, for purposes of this motion, that claims 1 and 15 of the '321 patent and claim 1 of the '997 patent are drawn to an apparatus. (D.I. 83 at 6 n.4) The fact that the claims are drawn to an apparatus rather than a method does not impact the court's analysis, as the Supreme Court in *Alice* treated method and system claims under the same analytical framework, explaining that "method claims recite the abstract idea implemented on a generic computer [while] the system claims recite a handful of generic computer components configured to implement the same idea." 134 S.Ct. at 2360.

reference identifying a location of the electronic document in the first memory, each electronic document having a first memory requirement for storage greater than a second memory requirement for storage of the associated electronic document reference;

b) a distributed document handling subsystem coupled to the database, the document handling subsystem including a transceiver for transmitting an electronic document reference without its associated electronic document at a first location and receiving the electronic document reference without its associated electronic document at a second location, the distributed document handling subsystem responding to receipt of the electronic document reference by producing a copy of the associated electronic document at a third location;

c) a portable electronic document reference transport device for transporting the electronic document reference without its associated electronic document, the portable electronic document reference transport device being physically separate from the first memory and the distributed document handling

subsystem, the portable electronic document reference transport device including a second memory for storing the electronic document reference without its associated electronic document, the second memory having a capacity significantly less than the capacity of the first memory, the portable electronic document reference transport device including a transceiver for receiving the electronic document reference without its associated electronic document at the first location and transmitting the electronic document reference without its associated electronic document at the second location.

(321 patent, col. 11:39-12:11)

Applying the analytical framework of *Alice*, the court first "determine[s] whether the claims at issue are directed to one of those patent-ineligible concepts," namely, laws of nature, natural phenomena, and abstract ideas. 134 S. Ct. at 2354-55. In *Alice*, the Supreme Court found that the claims were drawn to the patent-ineligible abstract idea of "intermediated settlement," which was also a "fundamental economic practice." *Id.* at 2356. In *Bilski II*, the Supreme Court held that the claims involved were drawn to the patent-ineligible abstract idea of "hedging, or protecting against risk," which was a "fundamental economic practice." *Id.* at 611. In each of these cases, the claims described more than the central idea put

forth by the Supreme Court. For example, in *Bilski II*, claim 1 described "a series of steps instructing how to hedge risk." *Bilski II*, 561 U.S. at 599.

Defendants at bar allege that the patents "are drawn to the abstract principle of cataloguing documents to facilitate their retrieval from storage," a principle that has been in existence for "[n]early two millennia." (D.I. 83 at 8) Plaintiff responds that defendants have "greatly oversimplified" the claims, arguing that although claim 1 of the '321 patent does facilitate the "identification and retrieval of documents from storage," it nonetheless "does so in a specific manner." (D.I. 86 at 9-10) Plaintiff points to the fact that the portable devices have memory capacities "significantly smaller than that of a centralized database," as well as the fact that the devices communicate through a "document handling subsystem." Such limitations serve to "improve the functioning of the computer[s]" that comprise the claimed systems. (*Id.* at 10) Plaintiff further contends that the claims describe inventive applications of "storage and retrieval of electronic documents" in addition to implementing the abstract concept of "cataloguing." (*Id.* at 11)

As explained by the Supreme Court in *Bilski II*, "the prohibition against patenting abstract ideas cannot be circumvented by attempting to limit the use of the formula to a particular technological environment." 561 U.S. at 610 (internal quotations omitted). An abstract idea is likewise not saved by the mere fact that the claim is lengthy and recites multiple steps. See *Ultramercial, Inc. v. Hulu, LLC*, 2014 WL

5904902, at \*4 (Fed. Cir. Nov. 14, 2014) (finding that a length claim with eleven steps is nonetheless drawn to the abstract idea of "using advertising as an exchange or currency"). Moreover, "any novelty in implementation of the idea is a factor to be considered only in the second step of the *Alice* analysis." *Id.*

Here, the parties agree that the claims facilitate the "identification and retrieval of documents from storage." Representative claim 1 of the '321 patent, at its core, describes the implementation of the abstract idea of cataloguing documents to facilitate their retrieval from storage in the field of remote computing. The length or specificity of the asserted claims does not prevent the claims from fundamentally reciting an abstract idea where, as here, the claim language does nothing more than describe the contours of the cataloguing process. Plaintiff's arguments that the claims recite inventive applications of the abstract concept of "storage and retrieval of electronic documents" and that the claims name specific devices are factors more appropriately considered in step two of the *Alice* framework. Therefore, the court concludes that the '321 and '997 patents are drawn to an abstract idea.

Turning to step two of the *Alice* framework, the court examines whether the claims are limited by an "inventive concept" such that "the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." *Alice*, 134 S. Ct. at 2355. Defendants argue that the patents are not patent-eligible applications of an abstract principle because the claims merely recite an abstract principle and instruct the public to

apply it with a computer. (D.I. 83 at 11) Defendants identify three instances of generic computer implementation: (1) the "portable electronic document reference transport device;" (2) the "electronic document reference;" and (3) the "distributed document subsystem." (*Id.* at 13)

As for the "portable electronic document reference transport device," defendants point to the specification, which states that the claimed device may be "any suitable form of portable computer." (321 patent, col. 5:51-52) The specification further requires that the portable device contain a "processor," a "solid state memory," and a "transceiver," features defendants allege are present in virtually every computer. (*Id.* at col. 5:29-31, 55-56) Defendants add that the requirement that the memory be "significantly less" than the memory of the networked device is not a true limitation, but is rather is a "trivial and inherent limitation" of the hardware. (D.I. 83 at 14) Defendants analogize the limited memory of the portable device to a library patron's notebook of call numbers, which "takes up considerably less space than the shelves of corresponding books."<sup>8</sup> (*Id.* at 14; D.I. 88 at 4)

With regard to the "electronic reference,"

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<sup>8</sup> Plaintiff's claim construction arguments are in tension with its § 101 validity arguments in that plaintiff urges a broad reading of the claim terms for claim construction and a narrow reading for validity. For example, plaintiff argues that "significantly less" should be construed as merely "more than a trivial amount less" for purposes of claim construction (D.I. 66 at 21), but emphasizes "significant discrepancies in memory capacity" for purposes of invalidity (D.I. 86 at 10).

defendants cite the description that the reference may appear in "any suitable format to suit a desired application." ('321 patent, col. 4:40-55) Defendants argue that, consistent with the specification, the "distributed document subsystem" is merely a "conventional network" connected to "conventional office devices." (*Id.* at col. 8:1-3) The additional recitation of specific computer components such as a "database," "memory," "transceiver" and "wire-based network," and computer functions such as "storing," "transmitting" and "receiving," are incapable of conferring the requisite specificity. (D.I. 83 at 13).<sup>9</sup>

Plaintiff responds that, even if the claims are drawn to an abstract idea, the recited steps of "transmitting" and "receiving" limit the claimed system because these steps were not "routine or conventional practices at the time of invention." (D.I. 86 at 13) Essentially, plaintiff argues that "practicing these limitations permitted the inventors to have a portable device whose memory size was no longer a significant constraint." (D.I. 86 at 13)

Plaintiff is unable to meaningfully address the fact that the specification unambiguously states that the portable electronic reference transport device may be any "suitable" portable computer. ('321 patent, col. 5:51-52) Nor is plaintiff able to

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<sup>9</sup> Defendants contend that the limitations present in the dependent claims including a "a display unit and a graphical user interface" in claim 7 of the '321 patent, and the "public telephone network" in claim 15 of the '997 patent, merely receipt "generic computer components" or "token postsolution components." (D.I. 83 at 14) Plaintiff does not specifically address the dependent claims in its briefing.

address the fact that the specification states that the electronic document reference may appear in "any suitable format" (*Id.* at col. 4:53-56) and the distributed document subsystem consists of purely "conventional" elements connected by a "conventional" network (*Id.* at col. 8:1-3).

Moreover, even the recitation of specific hardware elements such as a "processor," a "solid state memory," and a "transceiver" is insufficient to confer specificity. *See Alice*, 134 S. Ct. at 2360 (finding that the recitation of "specific hardware" consisting of a "data processing system," a "communications controller," and a "data storage unit" were "purely functional generic"). The requirement that the portable device have "significantly less" memory than the networked device does not transform the portable device into a special purpose computer, as the requirement that the portable device have less storage capability than the networked device is an inherent limitation of the underlying abstract concept of cataloguing. Accordingly, the court concludes that the claimed computers and hardware elements of the claimed subsystem are generic.

Although the court understands plaintiff's argument that the steps of "transmitting" and "receiving" may not have been conventional practices in the field of computing at the time of invention, these steps nonetheless do nothing more than recite functions that "can be achieved by any general purpose computer without special programming." *Cf. In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1316 (Fed. Cir. 2011) (in analyzing means-plus-function

claims, finding that "the functions of 'processing,' 'receiving,' and 'storing' are coextensive with the structure disclosed, i.e., a general purpose processor). The court also recognizes that the application of document cataloguing in the realm of portable computing usefully addressed the problem of limited memory space in portable computers. The fact that an abstract idea may be usefully applied, however, is not enough to "transform an unpatentable principle into a patentable process." *Flook*, 437 U.S. at 590 (reasoning that "the Pythagorean theorem would not have been patentable, or partially patentable, because a patent application contained a final step indicating that the formula, when solved, could be usefully applied to existing surveying techniques."). Plaintiff's argument that the claims "improve the functioning of the computer" also falls short, as the patents do not claim an improvement to the computer, but rather describe how to apply the abstract idea of cataloguing to pre-existing, conventional computers. Here, as in *Bancorp*, "without the computer limitations nothing remains in the claims but the abstract idea." *Bancorp*, 687 F.3d 1266 at 1279-80.

The pre-emption inquiry focuses on whether the patent "would risk disproportionately tying up the use of the underlying ideas." *Alice*, 134 S.Ct. at 2354; *Mayo*, 132 S.Ct. at 1294 (holding that "patents [that] would ... disproportionately tie up the use of the underlying natural laws" are invalid for lacking patentable subject matter). Plaintiff argues that the claims at bar do not broadly preempt "cataloguing documents." Instead, plaintiff asserts that the claims only preempt the

concept of

retrieving electronic documents from storage through portable devices with memory capacities that are significantly smaller than that of a centralized database, and where the portable devices communicate not with one another but through a document handling subsystem that facilitates transmission of electronic document references and electronic documents separately from one another in order to capitalize on the significant discrepancies in memory capacity.

(D.1. 86 at 14)

Plaintiffs attempt to limit the scope of preemption by reciting specific computing applications does not disturb the court's conclusion that the patents are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2358 ("the prohibition against patenting abstract ideas cannot be circumvented by attempting to limit the use of [the idea] to a particular technological environment.")(citations omitted). Allowing the asserted claims to survive would curb any innovation related to computerized cataloguing of documents to facilitate their retrieval from storage, which would monopolize the "abstract idea."

## V. CONCLUSION

For the foregoing reasons, the court grants defendants' joint motion for summary judgment of

invalidity. An appropriate order shall issue.

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

CLOUD SATCHEL, LLC.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civ. No. 13-941-SLR
	)	Civ. No. 13-942-SLR
AMAZON.COM, INC.	)	
BARNES & NOBLE, INC.	)	
	)	
Defendants.	)	

**ORDER**

At Wilmington this 18th day of December, 2014, consistent with the memorandum opinion issued this same date;

IT IS ORDERED that defendant's joint motion for summary judgment of invalidity of the '321 and '997 patents under 35 U.S.C. § 101 is granted.

  
\_\_\_\_\_  
United States District Judge

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

CLOUD SATCHEL, LLC.	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civ. No. 13-941-SLR
	)	Civ. No. 13-942-SLR
AMAZON.COM, INC.	)	
BARNES & NOBLE, INC.	)	
	)	
Defendants.	)	

JUDGMENT IN A CIVIL CASE

For reasons stated in the court's memorandum opinion and order of December 18, 2014;

IT IS ORDERED AND ADJUDGED that judgment be and is hereby entered in favor of defendants Amazon.com, Inc. and Barnes & Noble, Inc. and against plaintiff Cloud Satchel, LLC.

  
United States District Judge

Dated: 12/22/2014

IJ(By) Deputy  
Clerk

