

No. 2016-1353

**IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

SECURE AXCESS, LLC,

Appellant,

v.

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

Appellees.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in No. CBM2014-00100

**BRIEF OF THE CLEARING HOUSE PAYMENTS COMPANY, L.L.C.
AND FINANCIAL SERVICES ROUNDTABLE**

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April 20, 2017

CERTIFICATE OF INTEREST

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1. The full name of every party or amicus represented by me is:

The Clearing House Payments Company, L.L.C.
Financial Services Roundtable

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

No publicly held companies own 10 percent or more of the amicus curiae represented by me.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this Court are:

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STATEMENT OF INTEREST

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

Financial Services Roundtable (“FSR”) represents the largest integrated financial services companies, providing banking, insurance, payment, and investment products and services to the American consumer. Each member company participates through its CEO and other senior executives nominated by the CEO. FSR member companies provide fuel for America’s economic engine, accounting for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

TCH and FSR members rely on covered business method (“CBM”) review as a defense against patent suits, and these members have been negatively impacted by the *Secure Access* decision. TCH and FSR therefore request en banc review and reversal of *Secure Access*. Pursuant to Federal Rule of Appellate Procedure 29, TCH and FSR confirm that no party’s counsel authored this brief, in whole or in part, or contributed money to its preparation or submission, and no one other than the amicus curiae, its members, and its counsel authored or contributed money to its preparation and submission.

INTRODUCTION

Section 18 of the America Invents Act defines a CBM patent as one that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA, Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 284, 331 (2011). Notwithstanding the statute’s plain language and legislative history, the panel majority construed the phrase, “used in the practice, administration, or management of a financial product or service,” to require that the “use[]” be recited in the claim itself in the form of a “financial activity element.” Maj. Op. at 19.

This narrow construction has destabilized CBM review, with 100% of the institution decisions since *Secure Access* denying institution. One Patent Trial and Appeal Board (“PTAB”) judge expressed that he was “troubled . . . by the current

state of the law,” and another commentator wondered whether CBM review may “[f]ade [a]way.” Artful draftsmen can now dodge review by eliminating narrower claims that include “financial activity element[s],” leaving broader, more problematic claims intact and immune to review.

The Court must grant en banc review to correct the statutory construction to align with the statute’s plain language. Failure to do so will allow the “worst offenders” to continue to assert overbroad patents against financial institutions.

ARGUMENT

I. The Majority’s Narrow Statutory Construction Undermines the Purpose of CBM Review

One of Congress’s motivations for creating CBM review was to reduce questionable patent suits filed against financial institutions. H.R. Rep. No. 112-98, pt. 1, at 54 (2011). The Independent Community Bankers of America submitted a letter to the Senate explaining the problem:

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

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

57 Cong. Rec. S1360, S1365 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer (reading letter)).

During the Senate debates, Senator Schumer stated that “[t]he definition of covered business method patents in the transitional program was developed in close consultation with the PTO to capture all of the worst offenders in the field of business method patents, including those that are creatively drafted to appear to be true innovations when in fact they are not.” *Id.* at S1364.

CBM review was designed to help those targeted by questionable litigation and eliminate suspect patents obtained by “creative[.]” drafting. The panel majority’s construction upends both objectives, allowing questionable patents to escape review and incentivizing form-over-substance patent drafting.

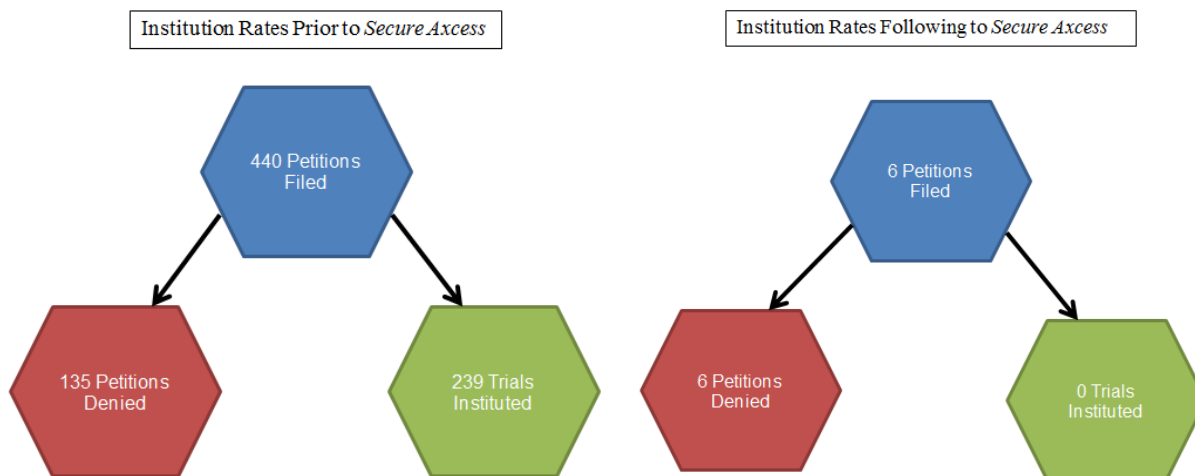
A. *Secure Access* Has Already Chilled CBM Institution Rates

The impact of *Secure Access* has been immediate and substantial. Before *Secure Access*, the rate of denial of CBM review was 31%,¹ almost identical to the *Inter Partes Review* process, which had a denial rate of 29%.² After *Secure Access*,

¹ Through February 2017, institution was denied in 135 of 440 cases. USPTO, *Patent Trial & Appeal Board Statistics* 11 (Feb. 28, 2017), available at www.uspto.gov/sites/default/files/documents/aia_statistics_february2017.pdf.

² Through February 2017, institution was denied in 1257 of 4345 cases. *Id.* at 10.

all ten institution decisions have denied review, six citing *Secure Access*.³ Five of the denials cited *Secure Access* and involved different PTAB judges in unrelated proceedings.⁴



Only a single CBM has been instituted this year, and it was instituted *prior to Secure Access*. See *Emerson Elec. Co. v. SIPCO, LLC*, CBM2016-00095, Paper 12 (PTAB Jan. 23, 2017).

³ *Google Inc. v. KlausTech, Inc.*, CBM2016-00096, Paper 10 (PTAB Feb. 27, 2017); *Twilio Inc. v. TeleSign Corp.*, CBM2016-00099, Paper 13 (PTAB Feb. 27, 2017); *Google Inc. v. HBAC Matchmaker Media, Inc.*, CBM2016-00097, Paper 16 (PTAB Feb. 27, 2017); *Ford Motor Co. v. Versata Dev. Grp., Inc.*, CBM2016-00101, Paper 12 (PTAB Mar. 15, 2017); *Kroger Co. v. Nexuscard, Inc.*, CBM2015-00183, Paper 38 (PTAB Mar. 27, 2017); *Ford Motor Co. v. Versata Dev. Grp., Inc.*, CBM2016-00100, Paper 12 (PTAB Mar. 20, 2017).

⁴ CBM2016-00096 (Zecher, Kaiser, Cherry); CBM2016-00099 (Medley, Kim, Arbes); CBM2016-00097 (Ward, Braden, Paulraj); CBM2016-00101 (Medley, Turner, Arpin); CBM2015-00183 (Bisk, Fitzpatrick, Chung).

APJ Kevin F. Turner voiced his concern over the precedent, noting, “I am troubled . . . by the current state of the law that does not adequately allow this panel to review the cited patent that the patentee clearly intended to be directed to financial products and services.” *Ford Motor*, CBM2016-00100, Paper 12, Concurring Op. at 1 (Turner, APJ). It is not hyperbole when commentators warn that *Secure Access* may cause CBM reviews to “[f]ade [a]way.” Ryan Davis, *CBM Reviews May Fade Away as Fed. Circ. Limits Reach*, Law360 (Mar. 10, 2017, 11:04 PM EST).

B. *Secure Access* Incentivizes Artful Drafting to Avoid CBM Review

Obtaining review of suspect financial patents will become more difficult as artful drafters ply their craft. Those seeking financial patents will draft claims that cover a financial product or method while omitting any “financial activity element.” “Clever drafting . . . should not allow a patent holder to avoid PTO review Any other result would elevate form over substance.” 57 Cong. Rec. S1360, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer). Although the panel majority suggested that “the phrasing of a qualifying claim does not require particular talismanic words”, *Secure Access*’s rule creates this exact form-over-substance problem. Maj. Op. at 19.

Practitioners are already developing ways to avoid CBM review. See Jeffrey Chang, *Is Your Patent Eligible for Covered Business Method Review? Your Claim*

Language Matters. Your Specification Language Might Matter, Lexology (Mar. 9, 2017).⁵ Suggestions to practitioners include: (1) “Avoid using financial product or service terms in the claims”; (2) “If claim terms are defined in the specification, avoid providing definitions that include financial product or service terms”; and (3) “If examples of financial concepts are described in the specification, also describe examples of concepts outside of the financial context.” *Id.*

The artful drafting problem was further highlighted by Judge Moore during oral argument for *Integrated Claims Systems, LLC v. Travelers Lloyds of Texas*, No. 2016-2163 (Fed. Cir. Apr. 7, 2017). Judge Moore noted that a dependent claim may be CBM eligible based on its express recitation of a financial activity element, but under *Secure Access*, an independent claim without the element may avoid review. *Id.*, Oral Argument at 21:00–21:30 (“[Y]ou only need one claim and then it’s a CBM, . . . , and the PTO has the right to look at every claim in it. But I am baffled as to how you can defend [independent] claim 1 after *Secure Access*.”). Although a broader independent claim and its narrower dependent claims both *necessarily* cover the financial product or service, now an artful drafter may eliminate the narrower claims (or the “financial activity element[s]” that they recite) to dodge CBM review. *See Facebook, Inc. v. Skky LLC*, CBM2017-00002,

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

CBM2017-00003, CBM2017-00006, CBM2017-00007 (P.T.A.B. Apr. 11, 12, 13, 2017) (denying institution after the patent owner disclaimed claims expressly reciting financial elements). Such form-over-substance activity undermines the integrity and intent of the CBM program.

II. Section 18 Should Be Construed Consistent with Its Plain Language

Construing Section 18 according to its plain language corrects both the chilling effect and artful drafting problems created by *Secure Access*. Section 18 requires that the patent (1) “claim[] a method or corresponding apparatus for performing data processing or other operations,” and that such method or apparatus (2) be “used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). The first requirement addresses the *language* of the claims. The second requirement addresses the *scope and application* of the claims. Patents must meet both requirements to qualify for CBM review.

The first requirement focuses on “method[s] or corresponding apparatus[es] for performing data processing or other operations,” as set forth in the claims. *Id.* This focus is consistent with legislative intent. *See, e.g.*, H.R. Rep. No. 112-98, pt. 1, at 54. The claims at issue in *Secure Access* meet this requirement, reciting, “[a] method comprising: transforming, at an authentication host computer, received data by inserting an authenticity key to create formatted data.” U.S. Patent No. 7,631,191 (“the ’191 patent”) at 12:9–12.

The second requirement is also consistent with the legislative intent, focusing not just on claims, but on how the claimed inventions are *used*. *See, e.g.*, H.R. Rep. No. 112-98, pt. 1, at 54. This “use” evidence can be found in the specification, which is consistent with the overall statutory scheme of patent law. Section 112 states that a patent must “contain a written description of the invention, and of the manner and process of . . . *using* it.” 35 U.S.C. § 112(a) (emphasis added). The specification of the ’191 patent provides an excellent example of claims *used in* the practice, administration, or management of a financial product or service, contemplating services relating to “credit card companies,” “financial institutions,” and an “intermediary settlement institution.” ’191 patent at 11:22–29. The specification also refers to financial products and services, including a “payment network,” “online commerce system” (*id.* at 11:52–67), and a bank website, “www.bigbank.com” (*id.* at 8:21–23).

The evidence of *use* may also be extrinsic. Extrinsic evidence has long been used to understand a claim’s meaning and scope. *See Prolitec, Inc. v. Scentair Techs., Inc.*, 807 F.3d 1353, 1358 (Fed. Cir. 2015) (allowing extrinsic evidence for claim construction); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1319 (Fed. Cir. 2005) (en banc) (allowing extrinsic evidence if the court deems it helpful to “educate [itself] regarding the field of the invention and . . . [to] determine what a person of ordinary skill in the art would understand”). This case provides a good example.

Secure Access asserted its claims against approximately fifty financial institutions. Appx11. Asserting claims against this many financial institutions strongly suggests that the claims are “used in the practice, administration, or management of a financial product or service.”

III. The Majority’s Fears of Unconstrained CBM Review Are Misplaced

The panel majority conflated the two requirements of section 18—that the patent (1) “claims a method or corresponding apparatus for performing data processing or other operations,” and (2) that such method or apparatus be “used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). The panel reasoned that the “use[]” of the financial element must be recited in the claim itself, explaining that narrowing section 18 in this way avoids a CBM procedure with “virtually unconstrained reach.” Maj. Op. at 14. However, the statute’s plain language already limits review. And when “[d]etermin[ing] whether the statutory text is plain and unambiguous, . . . we must apply the statute according to its terms.” *See Carciari v. Salazar*, 555 U.S. 379, 387 (2009) (citation omitted).

The first requirement alone, requiring “data processing” operations, eliminates most claimable technologies from CBM review. A screwdriver does not “perform[] data processing or other operations,” nor does a pharmaceutical compound, a rocket nozzle, or a car radiator. There are literally hundreds of patent

classes that fall outside of CBM review, including: “Apparel,” “Bridges,” “Textiles,” “Chemistry,” “Metal working,” “Acoustics,” “Plastic[s],” “Explosive[s],” “Receptacles,” “Radiant energy,” “Fences,” “Spring devices,” “Closure fasteners,” “Optics,” “Flexible bags,” “Joints and connections,” “Pumps,” “Food or edible material,” “[C]eramic[s],” and “Perfume compositions,” to name just a few. *See* USPTO Patent Classes.⁶ By contrast, the drafters of CBM review primarily targeted one class of art units. Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736, 48, 738–39 (Aug. 14, 2012) (noting that art units in Class 705 were the main target). The panel majority’s fears of drawing in “virtually every patent” (Maj. Op. at 14-15) are misplaced.

The second requirement, that the claims be “used in the practice, administration, or management of a financial product or service,” further narrows the scope of CBM review. The petitioner must also prove that the *specific* challenged claim is “used in the practice, administration, or management of a financial product or service.” This evidence may come from the claims, the specification, or extrinsic evidence. PTAB judges are capable of determining whether a method or apparatus is “used in the *practice, administration, or*

⁶ Available at <https://www.uspto.gov/web/patents/classification/selectnumwithtitle.htm>.

management of a financial product or service,” AIA § 18(d)(1) (emphases added), or whether it is, like a lightbulb, merely used for general purposes.

Finally, CBM review excludes “patents for technological inventions.” *Id.* This final constraint further limits the scope of CBM review.

Under a correct statutory construction, section 18 does not draw in “virtually every patent”; rather, it presents a bounded test that addresses the ’191 patent and those like it.

IV. Conclusion

The majority panel’s interpretation of the statute has already spiked denial rates for CBM petitions. Without en banc rehearing, CBM reviews may “[f]ade [a]way” entirely. For these reasons, the Court should grant the petitions for rehearing en banc and reverse *Secure Access*.

Date: April 20, 2017

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CERTIFICATE OF SERVICE

I certify that on April 20, 2017, this BRIEF OF THE CLEARING HOUSE PAYMENTS COMPANY, L.L.C. AND FINANCIAL SERVICES ROUNDTABLE was filed electronically using the CM/ECF system and served via the CM/ECF system on registered counsel.

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CERTIFICATE OF COMPLIANCE

In accordance with Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that this brief complies with the applicable type-volume limitations. Exclusive of the portions exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b), this brief contains 2,476 words. This certificate was prepared in reliance on the word count of the word-processing system used to prepare this brief.

The undersigned further certifies that this brief complies with the typeface and type-style requirements of Federal Rule of Appellate Procedure 32(a)(5) and (a)(6) because it has been prepared in a proportionally spaced type face in 14-point Times New Roman font.

Respectfully submitted,

Date: April 20, 2017

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