

Case No. 16-1353

**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, SYNCHRONY BANK, GENERAL ELECTRIC COMPANY, 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 AMICI CURIAE ELECTRONIC FRONTIER FOUNDATION
AND PUBLIC KNOWLEDGE IN SUPPORT OF APPELLEES' PETITION
FOR REHEARING EN BANC**

Daniel K. Nazer
ELECTRONIC FRONTIER FOUNDATION
815 Eddy Street
San Francisco, CA 94109
Tel: (415) 436-9333
Fax: (415) 436-9993
daniel@eff.org
Attorney for *Amici Curiae*

April 20, 2017

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 29(a) and 47.4, counsel for *Amici Curiae* certifies that:

1. The full names of the *amici* represented by me is:

Electronic Frontier Foundation

Public Knowledge

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 *amici curiae* represented by me are:

None.

4. The name of all law firms and the partners or associates that appeared for the party or *amici* now represented by me in the trial court or are expected to appear in this Court is: Daniel K. Nazer, Electronic Frontier Foundation, San Francisco, California.

April 20, 2017

/s/ Daniel K. Nazer

Daniel K. Nazer

Attorneys for *Amici Curiae*

ELECTRONIC FRONTIER FOUNDATION
AND PUBLIC KNOWLEDGE

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INTEREST OF AMICI CURIAE¹

The Electronic Frontier Foundation (“EFF”) is a non-profit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 35,000 dues-paying members have a strong interest in helping the courts and policy-makers strike the appropriate balance between intellectual property and the public interest.

Public Knowledge is a non-profit organization dedicated to preserving the openness of the Internet and the public’s access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. As part of this mission, Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new, emerging technologies.

As part of their mission, EFF and Public Knowledge have often served as *amici* in key patent cases, including *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014),

¹ Pursuant to Rule 29(c) of the Federal Rules of Appellate Procedure, EFF and Public Knowledge certify that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. Furthermore, no person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

Bilski v. Kappos, 561 U.S. 593 (2010), *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), and *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).

Appellees PNC Bank National Association, Santander Bank, N.A., and Nationwide Bank consent to the filing of the brief. Counsel for Secure Access, LLC stated that it would not consent unless *amici* shared their brief before filing, which *amici* did not agree to do. Pursuant to Federal Circuit Rule 39(g), EFF and Public Knowledge have concurrently filed a motion for leave to file this brief.

INTRODUCTION

The panel majority’s ruling will have an impact far beyond this case. The ruling imposes a new requirement—not found in the statutory text—that patent claims must include financial jargon to fall within the America Invents Act’s (AIA) definition of “covered business method patent.” This holding is contrary to the prior decision of this Court in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015).

The panel majority’s ruling also conflicts with statutory interpretations that the United States Patent and Trademark Office (USPTO) reached after formal notice and comment rulemaking. The panel majority did not provide any deference to the USPTO. Indeed, its opinion does not address the question of deference at all. Rehearing would allow the Court to consider the important question of whether deference to the USPTO is warranted under the *Chevron* or *Skidmore* standards.

If allowed to stand, the panel majority's decision will drastically narrow the scope of covered business method (CBM) review. It will impact dozens of pending proceedings and reduce the availability of the procedure going forward.² The Court should grant rehearing *en banc*.

ARGUMENT

I. Congress Created CBM Review to Address Improperly Granted Business Method Patents.

When it passed the AIA, Congress was concerned that low-quality business method patents were causing harm by fueling lawsuits from patent assertion entities. *See* H.R. Rep No. 112-98 at 54 (2011).³ Specifically, Congress noted that, during the late 1990s through the early 2000s, the USPTO had issued many business method patents even though it lacked resources to properly review the applications for those patents. *See id.* Congress concluded that “the issuance of poor business-method patents” during that period may have led to suits by patent

² Over 500 CBM review petitions have been filed since Congress created the procedure. Absent renewal by Congress, it will remain available until September 15, 2020. For the most recent AIA trial statistics, *see* USPTO, Patent Trial and Appeal Board Statistics (2017), *available at* https://www.uspto.gov/sites/default/files/documents/aia_statistics_february2017.pdf.

³ H.R. Rep No. 112-98 was the only committee report issued during the Congress in which the AIA was enacted. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435, 437 n. 8 (2012), https://www.uspto.gov/sites/default/files/aia_implementation/guide-to-aia-p1.pdf.

assertion entities. *Id.* It created Covered Business Method (“CBM”) review to help fix that problem. *Id.*

The importance of CBM review has only grown in the wake of *Alice Corp. Pty. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014). As Congress noted when it passed the AIA, many poor-quality business method patents were issued because the USPTO lacked the staff and prior art databases to properly review the patent applications. But the USPTO also lacked the guidance the Supreme Court provided in *Bilski v. Kappos*, 561 U.S. 593 (2010) and *Alice*. This means that many of these business method patents may be ineligible under § 101 as well as being subject to question under § 102 and § 103.

CBM review is an essential process for considering that guidance because, in contrast to *inter partes* review, which is limited to obviousness and anticipation, CBM review allows § 101 challenges. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015). What is more, for patents issued during the time period about which Congress was particularly concerned—the late 1990s to the early 2000s—CBM review is the *only* means of raising a § 101 challenge at the Patent Trial and Appeal Board.⁴ Without CBM review, district court would

⁴ Section 101 is also a ground for a Post Grant Review (PGR) challenge. *See Changes to Implement Post-Grant Review Proceedings*, 77 Fed. Reg. 7060-01 at 7061 (proposed Feb. 10, 2012). But that procedure is only available up to nine months from issuance. *See* 35 U.S.C. § 321(c).

provide the only forum for a subject matter eligibility challenge (either in a declaratory judgment action or as a defense in an infringement suit).

Congress passed the AIA precisely to help companies avoid expensive and time-consuming district court litigation when threatened by low-quality business method patents. *See* H.R. Rep No. 112-98 at 39-40 (purpose of law is to create a “more efficient system for challenging patents that should not have issued”). CBM review is a central and effective part of that purpose. Any decision reducing its scope thwarts Congress’ purpose and the public interest in a fair and efficient patent system.

II. The Panel Majority Opinion Contorts the Statutory Text and Is Contrary to Congressional Intent.

Section 18(d)(1) of the AIA defines a “covered business method 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” Pub. L. No. 112-29, 125 Stat. 284, 331. The panel majority reads this provision as requiring that some use in the practice of a financial product or service be “recited” either “explicitly or implicitly” in the patent claim itself. *See Op.* at 12, 19. In effect, this is a demand that financial jargon appear in the claim.

There is no reason to read the statute’s definition so narrowly. While the panel majority is correct that claim language defines the boundary of any patented

invention, claim language does not control where, by whom, or for what ultimate purpose, an invention is *used* in the world. Even an express statement of purpose in a claim preamble will not necessarily limit claim scope. *See, e.g., Bristol-Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368, 1376 (Fed. Cir. 2001). If method claims can have identical scope regardless of their stated purpose, there is no sensible reason to focus so narrowly on claim language when determining whether a claimed method is “used in the practice” of a “financial service.” Indeed, Secure Access’ own activities demonstrate its understanding of how the method is used – it has sued dozens of financial institutions. Dissent Op. at 4-5.

Indeed, the patent in this very case provides a compelling illustration of the panel majority’s mistake. Most significantly, the *exemplary embodiment* in the specification describes using the invention to provide financial services such as online banking. *See* U.S. Patent No. 7,631,191 at 11:30-45; *see also* Dissent Op. at 2-3. Appellees outline many other factors, both intrinsic and extrinsic, supporting the Board’s conclusion. *See* PNC Petition at 3-4; *see also* Dissent Op. at 4-5. By focusing on claim language in isolation, the panel majority nevertheless reached an absurd result: it concludes that a method *used by dozens of banks in managing customer accounts* is not “used in the practice, administration, or management of a financial product or service.”

The panel majority's rigid approach is also at odds with recent Supreme Court jurisprudence disapproving rigid or categorical rules and emphasizing that substance must trump the draftsman's art. *See Alice*, 134 S. Ct. at 2360. If allowed to stand, the ruling in this case would place form well above substance, allowing patent prosecutors to avoid the possibility of CBM review with changes to claims that do not alter claim scope (for example, by removing a non-limiting preamble mentioning banking services). The majority's decision in this case is also reminiscent of now-rejected § 112 ¶6 jurisprudence that looked primarily to whether a claim included the word "means" rather than to the substance of the claim. *See Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1356 (Fed. Cir. 2015) (en banc) (noting prior "presumptions relie[d] on a rigid framework, where a flexible one is arguably more apt").

Finally, this Court has already ruled that "as a matter of statutory construction, the definition of 'covered business method patent' is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses." *Versata*, 793 F.3d at 1325. The panel majority's opinion is, at a minimum, in tension with that holding. *See Op.* at 14-15 (expressing concern about potential scope of CBM review). And the majority's concerns about overbreadth are

addressed by § 18(d)(1) itself, which excludes all “patents for technological inventions.”

A case may arise where this Court needs to consider the outer bounds of the AIA’s definition of “covered business method.” But this appeal is not that case: the patent was originally prosecuted by and assigned to American Express, it features an exemplary embodiment concerning online banking, and it has been asserted against dozens of financial institutions.

III. The Court Should Grant Rehearing to Consider What Level of Deference Is Owed to the USPTO.

Both the panel majority and the dissent failed to consider whether deference should be given to the USPTO’s interpretation of the statute. In that sense, both opinions skip what has been called *Chevron* “step zero”: the question of whether the *Chevron* framework should apply at all. *See ClearCorrect Operating, LLC v. Int’l Trade Comm’n*, 810 F.3d 1283, 1303 n.1 (Fed. Cir. 2015) (O’Malley J., concurring). Given that the panel majority drastically limits the scope of an important federal program, and rejects USPTO statutory interpretation in the process, this Court should at least consider whether deference is warranted.

The USPTO issued a final rule addressing the definition of “covered business method patent.” *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48734 (Aug. 14, 2012). It issued this rule after formal

notice and comment pursuant to authority granted in the AIA. *See* § 18(a)(1) (authorizing the Director to issue regulations). The Supreme Court has ruled that courts should apply *Chevron* to an agency’s interpretation that concerns the scope of the agency’s statutory authority. *See City of Arlington, Tex. v. F.C.C.*, 133 S. Ct. 1863, 1866 (2013). Furthermore, an agency interpretation of a statutory provision should be considered under the *Chevron* framework whenever Congress has delegated authority to the agency to make “rules carrying the force of law” and “the agency interpretation claiming deference was promulgated in the exercise of that authority.” *United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001). Since the USPTO engaged in statutory interpretation when it promulgated its final rule, this is such a case.

Although the USPTO adopted a rule that tracks the language of the statute, *see* 37 CFR § 42.301(a), its formal rulemaking included a number of responses to comments relevant to the scope of CBM review. *See* 77 Fed. Reg. at 48735-38. These responses adopt a broad construction of § 18(d)(1) and thus are contrary to the panel majority’s approach in this case. For example, rather than dismiss the views of AIA sponsor Senator Charles Schumer, the USPTO favorably cited his testimony regarding the definition of “covered business method.” *See* 77 Fed. Reg. at 48735 (citing Senator Schumer’s testimony in support of the conclusion that the definition “should be interpreted broadly”). And the USPTO specifically rejected

The suggestion to clarify that the term “financial product or service” is limited to the products or services of the financial services industry . . . Such a narrow construction of the term would limit the scope of the definition of covered business method patents beyond the intent of section 18(d)(1) of the AIA.

77 Fed. Reg. at 48736. The panel majority’s interpretation, which requires the claims themselves to refer to use in a financial product or service, Op. at 19, is at odds with the USPTO’s considered views after notice and comment.

Even if *Chevron* deference does not apply, the USPTO is at least entitled to deference under *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944). In *Mead*, like this case, the court of appeal gave no deference at to the agency’s interpretation. *See* 533 U.S. at 227. The Supreme Court determined that the United States Custom Service ruling letter at issue was not subject to *Chevron* deference because it had not been issued pursuant to formal notice and comment procedures. *See id.* But the Supreme Court still vacated and remanded so that *Skidmore* deference could be applied. *Id* at 234-35.⁵ Here, there is a stronger case for *Chevron* deference as the USPTO favored a broad interpretation of 18(d)(1) as part of a formal notice and comment rulemaking.

⁵ Without invoking *Skidmore* expressly, other decisions of this Court have approvingly cited the USPTO rulemaking while interpreting § 18(d)(1). *See Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1338 (Fed. Cir. 2016) (citing the USPTO’s Notice of Final Rulemaking in support of a broad construction).

Whether this Court ultimately decides to apply the *Chevron* or *Skidmore* framework, the question of deference warrants further consideration. *See* Dennis Crouch, *For CBM Review: _Claims_ Must be Directed to Financial Service*, PatentlyO (Feb. 21, 2017), https://patentlyo.com/patent/2017/02/_claims_-directed-financial.html (noting that the question of deference had been overlooked by both the panel majority and the dissent). Further, granting the petition would allow the government to express its views on what level of deference is appropriate.

CONCLUSION

For these reasons, the Court should grant the petition for rehearing *en banc*.

Dated: April 20, 2017

Respectfully submitted,

By: /s/ Daniel K. Nazer

Daniel K. Nazer
ELECTRONIC FRONTIER FOUNDATION
815 Eddy Street
San Francisco, CA 94109
Tel: (415) 436-9333
Fax: (415) 436-9993
daniel@eff.org

Attorneys for *Amici Curiae*

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE
REQUIREMENTS PURSUANT TO FED. R. APP. P. 32(a)(7)(C)**

I hereby certify as follows:

1. The foregoing Brief of *Amici Curiae* Electronic Frontier Foundation and Public Knowledge complies with the type-volume limitation of Federal Rule of Federal Circuit Rule 32(a) or Federal Rule of Federal Circuit Rule 28.1. The brief is printed in proportionally spaced 14-point type, and there are 2,511 words in the brief according to the word count of the word-processing system used to prepare the brief (excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii), that is, the tables of contents and citations, and certificates of counsel, and by Fed. Cir. R. 32(b), that is, the certificate of interest, the statement of related cases, and the addendum in an initial brief of an appellant).

2. The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5), and with the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word for Mac 2011 in 14-point Times New Roman font.

April 20, 2017

/s/ Daniel K. Nazer

Daniel K. Nazer

Attorney for *Amici Curiae*

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of April, 2017, I caused copies of the foregoing Brief of *Amici Curiae* Electronic Frontier Foundation and Public Knowledge to be served by electronic means via the Court's CM/ECF system on all counsel registered to receive electronic notices.

/s/ Daniel K. Nazer
Daniel K. Nazer