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No. 15-591

In the Supreme Court of the United States

RETIREMENT CAPITAL ACCESS
MANAGEMENT COMPANY LLC,
Petitioner,

v.

U.S. BANCORP AND MICHELLE K. LEE,
UNDER SECRETARY OF COMMERCE FOR
INTELLECTUAL PROPERTY AND DIRECTOR,
PATENT AND TRADEMARK OFFICE,
Respondents.

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

**BRIEF OF ISLAND INTELLECTUAL PROPERTY, LLC,
DOUBLE ROCK CORPORATION, AND ACCESS CONTROL
ADVANTAGE, INC. AS *AMICI CURIAE*
IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICI CURIAE*

Amici Curiae Double Rock Corporation (“Double Rock”), Island Intellectual Property, LLC (“IslandIP”), and Access Control Advantage, Inc. (“ACA”) (collectively “*Amici Curiae*”) respectfully submit this *amici curiae* brief in support of the Petition for a Writ of Certiorari by Retirement Capital Access Management Company LLC.¹

Double Rock, IslandIP, and ACA represent former practicing entities and patent holders that built, developed, and commercialized computer-implemented technology in the field of financial services and which patented the results of their research and development. While the portions of their business that commercialized the results of their patented technologies have since been sold and/or licensed, Double Rock, IslandIP, and ACA maintain a substantial interest and investment in the fruits of their research and development in the form of their respective patent portfolios.

¹ Pursuant to Sup. Ct. R. 37.2, all counsel of record received timely notice of IslandIP’s intent to file this *amici curiae* brief. Petitioner and Respondent U.S. Bancorp, Inc. consented to the filing of this *amici curiae* brief on November 20, 2015. Respondent Michelle K. Lee, Director, Patent and Trademark Office consented to the filing of this *amici curiae* brief on November 25, 2015. Pursuant to Sup. Ct. R. 37.6, 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. No person other than *Amici* made a monetary contribution to its preparation or submission.

The extra-statutory use of challenges to patent-eligibility under 35 U.S.C. § 101 is causing harm to patent owners, inventors, and the marketplace. Thus, *Amici Curiae* each believe it is important for this Court to clarify the availability under Section 282 (b)(2) and (3) to raise patent-eligibility challenges under 35 U.S.C. § 101, before the Patent Trial and Appeals Board (and by extension in district courts).

SUMMARY OF ARGUMENT

As part of the Leahy-Smith America Invents Act of 2011 (the “AIA”), Congress established the Patent Trial and Appeals Board (“PTAB”), to redress, *inter alia*, challenges to issued patents in Covered Business Method Review (“CBM”) proceedings. *See* Pub. L. No. 112-29, § 18, 125 Stat. 284, 329, 31 (2011). Since that proceeding was first instituted in September 2012, the PTAB has had over 750 CBM petitions filed, of which more than 200, raised challenges to patent-eligibility under 35 U.S.C. § 101. Of those raising challenges under Section 101, 167 reached an institution ruling. 150 of the 167 petitions raising a challenge under Section 101 were instituted to try such challenges. To date, 41 of those challenges have reached a final decision from the PTAB. In every one of those 41 decisions, the PTAB has found the challenged claims to be patent-ineligible. The PTAB has only refused to institute CBM review on patent-eligibility grounds raised by the petitioner in 17 instances. This case, which is one of the 41 cases in which one or more claims were found to be not patent-eligible in a CBM proceeding, squarely raised the critical question of whether the statutory scheme passed by Congress in the AIA in fact gives the PTAB such authority. *Amicus*

Curiae respectfully submit that Petition for Writ of Certiorari should be granted in this case to address this important issue.

I. Section 282(b)(2) and (3), as amended under the AIA, do not provide the PTAB with statutory authority to address patent-eligibility challenges under 35 U.S.C. § 101 to previously issued patents.

A. Under the statutory framework as amended under the AIA, the type and scope of defenses that can be raised in a CBM Proceeding before the PTAB, and by extension in district courts in patent-infringement action, was limited to two categories of invalidity defenses:

(i) “Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability” (35 U.S.C. § 282(b)(2)), i.e., challenges based on prior art under 35 U.S.C. § 102 and 103; and

(ii) “Invalidity of the patent or any claim in suit for failure to comply with” certain but not all “requirements of section 112” and “any requirement of section 251.”

Authority to bring challenges under Section 101, which like Section 112 is under part II of the Patent Act, but not “a condition for patentability” was not included, and thus beyond the statutory authority for the PTAB in CBM proceedings (and by extension district courts in patent-infringement actions).

B. The Court of Appeals analysis in *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) is flawed, and does not provide the extra-

statutory authority necessary to give the PTAB or district courts the ability to invalidate issued patents for failing to meet patent-eligibility requirements under 35 U.S.C. § 101.

(i) This Court's prior decisions have not addressed this issue, or provided the missing statutory authority.

(ii) Congress intentionally made the policy choice to limit the kinds of challenges which can be made to issued patents, even if other requirements, such as an obligation to disclose best mode of an invention, are imposed on patent applicants in original patent office proceedings.

II. This Court should grant the Petition to clarify that patent-eligibility defenses are not available in post-issuance proceedings, including CBM proceedings before the PTAB, and by extension in district court proceedings in patent infringement actions.

A. This case represents an ideal vehicle for the Court to reach these determinations, since it clearly and unequivocally raises the issue.

B. If the Court does not take up this issue now, the extra-statutory invalidation of issued patents at the lower courts and at the PTAB is likely to continue, causing substantial harm to patent owners, innovation, and the economy.

C. Since the panel decision in *Versata*, all dialog in the lower courts have been silenced. To date, no petition for certiorari has been filed in *Versata*, so this case provides an appropriate alternative to address this important issue.

D. The parties are more than capable, with the assistance of the substantial *amici* resources likely to be obtained, to present the issues for this Court's consideration.

This Court's intervention is necessary to address the extra-statutory challenges to innumerable issued patents.

ARGUMENT

I. THE PTAB LACKED THE STATUTORY AUTHORITY TO FIND THE CHALLENGED CLAIMS NOT PATENT-ELIGIBLE UNDER 35 U.S.C. § 101 IN THIS CBM PROCEEDING

A. The Statutory Framework under the AIA authorizing the PTAB to hear challenges to Issued Patents Does Not Include Challenges To Patent-Eligibility Under 35 U.S.C. § 101

The PTAB's authority to hear challenges in CBM proceedings are limited by statute to address "any ground that could be raised under paragraph (2) or (3) of Section 282(b) (relating to invalidity of the patent or any claim)." 35 U.S.C. § 321(b). The relevant paragraphs of Section 282(b), in turn, read as follows:²

(2) Invalidity of the patent or any claim in suit on any ground specified in part II *as a condition for patentability*.

(3) Invalidity of the patent or any claim in suit for failure to comply with—

² Unless otherwise indicated, all emphasis is added.

(A) any requirement of section 112, ***except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable***; or

(B) any requirement of section 251.

The only “conditions of patentability” specified in the Patent Act under the AIA are Section 102, entitled “Conditions for patentability; novelty” and Section 103, entitled “Conditions for patentability; non-obvious subject matter.” Section 101 of the Patent Act, entitled “Inventions patentable,” and Section 112, entitled “Specification,” which are also part of “part II” of the Patent Act, but are not however, a “condition of patentability.”

While the titles of these sections make it easy to see the distinction between a “condition” and “requirement,” the language of each provision draws these distinctions as well.

For example, Section 102, begins “A person shall be entitled to a patent ***unless*** . . .” certain conditions are met. Similarly, Section 103 provides when “[a] patent for a claimed invention ***may not be obtained*** . . .” Each of these provisions, as the titles suggest, specify “conditions for patentability.” By contrast, Section 101 positively recites when someone “may obtain a patent,” ***“subject to the conditions and requirements*** of this title.” Likewise Section 112 lists a series of “requirements” for a patent “specification” with positive language of what the specification ***“shall contain,” “shall conclude with,”*** or ***“may be expressed as.”***

Thus, the plain terms of the statute do not extend Section 282(b)(2) and (3) to include challenges to patent-eligibility under Section 101 as this is not a “condition for patentability.” The plain language of the statute is unambiguous; no further statutory analysis is necessary. *See, e.g., Kaiser Aluminum & Chem. Corp. v. Bonjorno*, 494 U.S. 827, 835 (1990) (The starting point for interpretation of a statute ‘is the language of the statute itself. Absent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive.’)

B. The Federal Circuit’s Conclusion in *Versata* that Section 282(b)(2) Includes Challenges to Patent-Eligibility under Section 101 Is Wrong

In *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), a three-judge panel of the Federal Circuit briefly addressed the same issue (among many other challenging issues associated with these new proceedings) raised in the instant Petition.

Significantly, although the panel recognized, the Patentee (*Versata*) “is correct that a strict adherence to the section titles can support an argument that § 101 is not listed as a ‘condition of patentability,’ but rather has the heading of ‘inventions patentable,’” it nonetheless relied upon extra-statutory judicial decisions that purportedly “have established that § 101 challenges constitute validity and patentability challenges.” 793 F.3d at 1330 (citing two pre-AIA Federal Circuit decisions with no section 282 analysis). With all due respect to the Court of Appeals, this Court’s guidance on this issue of statutory interpretation is sorely needed.

In order to disregard the unambiguous statutory framework, the panel relied upon (1) a passing reference in *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1 (1966) that concerned the scope of Section 103 (not Sections 101 or 282), and (2) the fact that many lawsuits have been brought raising patent-eligibility as an invalidity defense. *Id.* Neither of these arguments justify departing from the clear mandate of the statute.

First, while this Court in *Graham* did state that the 1952 Patent Act “sets out the conditions of patentability in three sections,” and that section 101 was one of them, this statement was made in the context of the “pivotal” new Section 103 relating to obviousness. 383 U.S. at 12-13. *Graham* stated “that patentability is dependent upon three explicit conditions: novelty and utility as articulated and defined in § 101 and § 102, and nonobviousness, the new statutory formulation, as set out in § 103.” *Id.* at 12. To the extent that *Graham* does identify any “conditions for patentability” from Section 101 (which *Amicus Curiae* respectfully submit it does not), it would at most be Section 101’s “utility” requirement, and not patent-eligibility. Moreover, *Graham* did not make any reference to the language of § 282 when making this statement, much less give any substantive analysis of whether § 101 is included under the scope of § 282(b)(2).

Legislative history and contemporaneous understanding confirm that Section 282(b)(2) was never intended to include challenges to patent-eligibility under Section 101 in the 1952 Act. As the House and Senate Reports associated with the 1952 Act

explain, the 1952 version of Section 282 explains “[t]he defense of a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the substance.” H.R. Rep. No. 82-1923, at 10 (1952); S. Rep. No. 82-1979 at 8–9 (1952) 1952 U.S.C.C.A.N. 2394, 2422 (same). That “present statute” was R.S. 4920, which included defenses corresponding to the failure to correctly describe the claimed invention (corresponding to the 1952 version of 112), and prior art defense including prior invention (corresponding to the 1952 version of 102(g)), prior patenting or publication more than 2 years prior to application (corresponding to the 1952 version of 102(b)), derivation (corresponding to the 1952 version of 102(f)), and prior public use or sale (corresponding to the 1952 version of 102(b)). Lack of patent-eligible subject matter (or even lack of utility) was not one of the defenses listed pre-1952.

While Congress drafted Section 282 in broad and general terms as a whole, it nonetheless categorized the defenses under discrete paragraphs: (1) “Noninfringement, absence of liability for infringement or unenforceability”; (2) Invalidity based on “any ground specified . . . as a condition for patentability”; (3) Invalidity for failure to comply with Section 112 (or 251); and (4) “Any other fact or act made a defense by this title.”

Unlike Section 282(b)(1), which was written broadly to include the common law defenses encompassed by “[n]oninfringement, absence of liability for infringement or unenforceability,” Section 282(2) was written with specificity, referring back to only specific parts of the statute. Clearly not all *requirements* for

patentability were to be interpreted as a *condition* for patentability. The separate reference to Section 112 confirms this much – Congress clearly distinguished Section 112 as not falling within a “ground specified . . . as a condition for patentability.” These specific provisions of the statute were altered under the 1952 Patent Act (hence, *Graham’s* discussion of the obviousness provision codified under section 103, and derived from common law). Sections 101 and 102 were derived from R.S. 4886, which Congress “split into two sections, [Section 101] relating to the subject matter for which patents may be obtained, and [Section 102] relating to the conditions under which a patent may be obtained.” Proposed Revision and Amendment of the Patent Laws, Preliminary Draft with Notes, Comm. on the Judiciary, House of Representatives 11 (Comm. Print Jan. 10, 1950); *see also Diamond v. Diehr*, 450 U.S. 175, 191 (1981) (citing similar language from Revision Notes to Section 101).

Importantly, when P.J. Federico, the author of the 1952 Act, published his commentary discussing Section 282, he also did not include Section 101 as one of those conditions of patentability to be considered under Section 282(2). Instead, Section 282(2) was the portion of the new provision that was most closely meant to correlate with the prior statute, R.S. 4920. As Mr. Federico explained Section 282 (b)(2) and (3), patent-eligibility challenges were not included:

The second item specifies “Invalidity of the patent or any claim in suit on any ground specified in Part II of this title as a condition for patentability”; ***this would include most of the usual defenses such as lack of novelty, prior***

publication, prior public use, lack of invention. The third item specifies “Invalidity of the patent or any claim in suit for failure to comply with any requirement of section 112 or 251 of this title”; the first section mentioned would include the defense of insufficient disclosure, and the second sentence mentioned would include reissue defenses. All the defenses usually listed in textbooks on patent law may be placed in one or another of the enumerated categories, **except a few which are no longer applicable in view of changes in the new statute.**

P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (West 1954). Thus, Mr. Federico, the drafter of the original Section 282, identified invalidity defenses under Section 102 and 103 (as then enacted), and did not include challenges to patent-eligibility.

Neither *Graham*, nor the 1952 Act, support the Federal Circuit’s strained position that patent-eligibility under Section 101 is a “condition for patentability” for purposes of Section 282(b)(2).

Similarly, the fact that Section 101 has become a “major industry” does not justify ignoring the clear language of Section 282. What makes this argument particularly problematic here is that one of the two examples that the Court relied upon to establish this was a “major industry” with CBMs at the PTAB is this very case. The PTAB’s inappropriate creation of such a “major industry” by misinterpreting the clear language of this recent statute does not mean this Court should not correct this misinterpretation. *Compare Teva Pharms. USA, Inc., v. Sandoz, Inc.*, 135

S. Ct. 831 (2015) (clarifying standard of review for claim construction by overturning Federal Circuit standard established in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998)), with *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1286 (Fed. Cir. 2014) (“The proponents of overruling *Cybor* have not met the demanding standards of the doctrine of *stare decisis*. They have not shown that *Cybor* is inconsistent with any law or precedent . . .”), *pet. for cert. granted, vacated, and remanded in light of Teva*, 135 S. Ct. 831 (2015).

Significantly, the AIA amendments to Section 282 make it crystal clear that Congress did not seek to make every requirement under the Patent Act into a defense in litigation or before the PTAB in a CBM proceeding. For example, although the AIA kept Section 112(a) as continuing to require that a patent applicant include the “best mode” for practicing an invention in an application (and thus the PTO in original prosecution may reject a disclosure that fails to meet this statutory requirement), Section 282(b)(3) expressly excluded this prior invalidity defense from the “invalidity” defenses otherwise available under Section 282(b).

While there is some legislative history from the AIA indicating that Congress expected that CBMs would allow for the PTO to address questionable business method patents, Congress did not draft the CBM provision of the AIA, nor amend Section 282(b)(2), to include an invalidity defense based on Section 101.

Interpreting at least the post-AIA version of Section 282(b)(2) as not including challenges to patent-eligibility under Section 101 would thus not be

inconsistent with how Congress treated other “requirements” of patentability not otherwise enumerated.

II. THE PETITION SHOULD BE GRANTED

Amici Curiae support Petitioner’s request for clarification on the guidelines for determining whether computer-implemented claims reciting novel steps constitute abstract ideas and respectfully request that the Court grant Petitioner’s petition for a writ of certiorari to hear the question presented.

A. This is the proper case to clarify the law of patent-eligibility

This is the best opportunity now available to this Court to address the issues raised in this Petition.

While in many circumstances the fact that the Court below merely granted a summary decision of “affirmed” might caution against granting certiorari, here it indicates the opposite. The summary dismissal of the fully briefed and presented issues being raised in this Petition with a simple “affirmed,” reflects the fact that the lower courts are done discussing this issue.

While perhaps *Versata* may be an appropriate case to address this issue, to date no petition for certiorari has yet been filed. Further, since *Versata* raises a host of other troubling issues regarding the PTAB’s authority and practice in CBM proceedings, that case might not present the issues in the present Petition with adequate clarity.

Since this case turns on whether or not the PTAB had authority to cancel Petitioner’s claims for not being

patent-eligible under 35 U.S.C. § 101, and the issue was fully and extensively briefed below, this is an appropriate case for this Court to resolve the issue.

B. If the Court does not take the case, harm will continue

One of the justifications given by the Federal Circuit for construing the statute contrary to its plain language is a reason why this Court should act now and with this Petition. *Versata* is correct that patent-eligibility challenges under Section 101 have become a “major industry.” A “major industry” built around a misinterpretation of the law should not be encouraged or maintained.

While *Versata* was the first CBM in which the PTAB issued a final written decision to cancel claims as not meeting patent-eligibility requirements under 35 U.S.C. § 101, it does not stand alone. Since the AIA was implemented in September 2012, the PTAB has issued institution decisions in 167 CBM petitions raising challenges under Section 101. It has instituted 150 of those. In every one of these instituted challenges that has reached a final written decision, the PTAB has cancelled the claims under Section 101.

Similarly, since this Court’s decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), district courts have been invalidating issued U.S. patents for lack of patent-eligible subject matter under 35 U.S.C. § 101 in record numbers. Data suggest that, for example, in 2014, District Courts decided 16 motions regarding patent eligible subject matter. In 2015, that number has already jumped to 183 such

motions, with more than 130 granted in whole or in part.

All of these cases lead to a backlog in the appellate courts which are starting to work their way to this Court. If this Court does not act now, these extra-statutorily authorized disputes will continue to explode and deluge not only the district courts and PTAB deciding them in the first issuance, but also the Federal Circuit and eventually this Court.

In the meantime, the post-*Alice* environment for computer-implemented inventions is harmful to the U.S. economy and the patent system as a whole. Judge Moore warned in her dissent in *Alice* at the Federal Circuit that the recent jurisprudence was in danger of “decimat[ing] the electronics and software industries” as well as other industries that are built on computer-implemented patent claims. *CLS Bank Int’l v. Alice Corp. Pty.*, 717 F.3d 1269, 1313 (Fed. Cir. 2013) (Moore, J., dissenting). Her prophecy is coming true with numerous patents and thousands of claims invalidated using *Alice*.

The importance of computer-implemented inventions to the U.S. economy extends far beyond the importance of the American computer industry alone. Computer-implemented inventions are critical to the productivity of all sectors of the U.S. economy. Computers power our modern service economy as surely as steam and later internal combustion engines powered American economic prosperity in the nineteenth and twentieth centuries. Computers are now the platforms on which many inventions are built. Thus, computer-implemented inventions must remain

patent-eligible as surely as their counterparts in manufacturing enjoyed such protection.

C. Waiting will not result in further discourse in courts below

Since *Versata*, while the issue has continued to be raised by parties, neither the PTAB nor the Courts have offered any further discourse other than to at most rely upon *Versata* as purportedly deciding the issue. The fact that the panel here did not even bother to write a decision addressing the extensive briefing illustrates that there is no reason for this Court to wait for further discourse. It is not likely to come.

D. Numerous *amici* have shown an interest in this issue

This case, *Versata*, *Cuozzo* and others have garnered significant input from third parties on the law of patent-eligibility and procedures before the PTAB, including numerous *amicus curiae* briefs filed in this Court and at the Federal Circuit. Those briefs, representing the views of patent practitioners and companies in computer and communications-related industries, collectively confirm that this case involves an “important question of federal law” and that many believe that the Federal Circuit “decided [this question] in a way that conflicts with relevant decisions of this Court.” Thus, this case fits the “character” of the compelling reasons required for Supreme Court review. *See* Sup. Ct. R. 10.

CONCLUSION

For the reasons set forth herein, *Amici Curiae* respectfully urge the Court to grant the Petition to determine whether patent-eligibility challenges under 35 U.S.C. § 101 are available under Section 282(b)(2) and (3) of the Patent Act.

Respectfully submitted,

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