

**United States Court of Appeals
for the Federal Circuit**

CLS BANK INTERNATIONAL,

Plaintiff-Appellee,

and

CLS SERVICES LTD.,

Counterclaim-Defendant Appellee,

v.

ALICE CORPORATION PTY. LTD.,

Defendant-Appellant.

*Appeal from the United States District Court for the District of
Columbia in case no. 07-CV-0974, Judge Rosemary M. Collyer.*

**BRIEF OF AMICUS CURIAE
BRITISH AIRWAYS PLC, eHARMONY, INC.,
INTUIT INC., LINKEDIN CORP., SAP AMERICA, INC.,
TRAVELOCITY.COM LP, TWITTER, INC. AND YELP INC.
ON REHEARING *EN BANC* SUPPORTING NEITHER PARTY**

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DECEMBER 7, 2012

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

CLS BANK V. ALICE CORPORATION, 2011-1301

CERTIFICATE OF INTEREST

Counsel for Amici John D. Vandenberg certifies the following:

1. The full name of every party or amicus represented by me is:
British Airways Plc, eHarmony, Inc., Intuit Inc., LinkedIn Corp., SAP America, Inc., Travelocity.com LP, Twitter, Inc. and Yelp Inc.

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:

Not applicable.

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:

International Consolidated Airlines Group, S.A. is the parent of British Airways Plc. There is no parent corporation of International Consolidated Airlines Group, S.A., and no other publicly held corporation owns 10% or more stock of British Airways Plc.

eHarmony, Inc., Intuit Inc., LinkedIn Corp., Twitter, Inc. and Yelp Inc. each has no parent corporations and no publicly held company owns 10% or more of their stock.

SAP America, Inc. is a privately held corporation and is a wholly owned subsidiary of SAP AG.

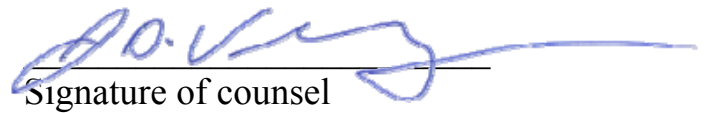
Travelocity.com LLC owns ten percent of Travelocity.com LP as its general partner and eighty-nine percent of Travelocity.com LP as its limited partner. Travelocity Holdings I, LLC owns one percent of Travelocity.com LP as its limited partner. Travelocity Holdings I, LLC is a wholly owned subsidiary of Travelocity.com LLC. Travelocity.com LLC is a wholly owned subsidiary of Travelocity Holdings, Inc., which, in turn, is wholly owned by Sabre Inc. Sabre Inc. is a wholly owned subsidiary of Sabre Holdings Corporation, which, in turn, is wholly owned by Sovereign Holdings, Inc.

Sovereign Holdings, Inc. is a privately-held corporation that is owned by Silver Lake Partners and TPG Capital.

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:

None appeared in the lower tribunal. Klarquist Sparkman, LLP, John D. Vandenberg appears in this court for Amici.

December 7, 2012



Signature of counsel

John D. Vandenberg
Printed name of counsel

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INTEREST OF AMICI CURIAE¹

Amici are a diverse group of innovative technology companies who are frequent targets of costly infringement lawsuits based on patents of questionable validity. British Airways Plc is a global airline whose BA.com website and related information technologies serve its worldwide customers. eHarmony, Inc. is a trusted relationship online services provider. Intuit Inc. is a leading provider of financial management, tax and online banking solutions. LinkedIn Corp. operates the world's largest professional network on the Internet with more than 175 million members. SAP America, Inc. is a leading technology company developing computer software and computer-based business solutions. Travelocity.com LP is one of the largest online travel companies in the world. Twitter, Inc. operates a real-time information network that connects its users to what they find interesting. Yelp Inc. provides social networking and consumer review websites that receive approximately 100 million unique visitors each month.

¹ This brief is filed pursuant this Court's October 9, 2012 Order, which authorizes amicus briefs to be filed without consent and leave of Court. Pursuant to Federal Circuit Rule 29(c)(5), 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 amicus curiae, its members or its counsel made a monetary contribution to its preparation or submission.

SUMMARY OF ARGUMENT

Amici urge the *en banc* Court, in the course of addressing the substantive-law questions it has posed, to decide these important subsidiary procedural questions in the affirmative:

1. Should courts enforce the patent eligibility requirement evenhandedly without imposing a “manifestly evident” or “coarse filter” hurdle on the patent challenger?
2. Is patent eligibility a threshold requirement well-suited for decision on the pleadings and on early summary judgment?

All agree that the Constitution and the Patent Act limit what can be patented. These limits protect a core goal of our patent system: innovation. Patents on abstract ideas or natural phenomena are more apt to harm innovation than spur it. It is this realization which has motivated the U.S. Supreme Court to grant *certiorari* on this issue twice in recent years, each time unanimously striking down patent claims exceeding the limits on patentable subject matter.

Despite the Supreme Court reinvigorating the limits on patent eligibility, innovation-harming patents on abstract ideas, etc., remain a significant problem today. In part, this is because most extant U.S. patents were issued under the more lenient “useful, concrete and tangible result” test for patent eligibility—since rejected by this Court *en banc* and by the Supreme Court. Consequently, technology companies continue to face

expensive and burdensome patent suits on patent claims the Patent Office never would have issued had it applied today's governing precedents on patent eligibility.

Fortunately, trial courts have alleviated this problem by evenhandedly applying the Supreme Court's precedents, on early motion practice.

The vacated majority opinion here, however, threatened to change that. *CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012). Indeed, it encouraged trial courts to do the opposite. It urged trial courts to side with patent owners unless a patent claim's ineligibility for patenting is "manifestly evident." *Id.* at 1352. "The 'disqualifying characteristic' of abstractness must exhibit itself 'manifestly.'" *Id.* at 1349 (citations omitted). And, it encouraged trial courts to delay deciding this threshold issue of law, allowing innovation-harming patents to stand for months or years without any judicial scrutiny under the Supreme Court's precedents. *Id.* at 1348. The panel told trial courts that patent claims violating Section 101 "should arise infrequently" and that they may wish to delay considering Section 101 in favor of other "comprehensive" patentability requirements where those "might be discerned by the trial judge as having the promise to resolve a dispute more expeditiously or with more clarity and predictability." *Id.* at 1347, 1348. In sum, as the dissent observed, "the majority resists the

Supreme Court’s unanimous directive to apply the patentable subject matter test with more vigor. Worse yet, it creates an entirely new framework that in effect allows courts to avoid evaluating patent eligibility under § 101 whenever they so desire.” *Id.* at 1356 (Prost, J., dissenting).

Both suggestions by the panel majority are irreconcilable with Supreme Court precedent. Both would harm innovation. This Court *en banc* should expressly reject both suggestions.

ARGUMENT

I. THE SUPREME COURT HAS REJECTED THE COARSE-FILTER, MANIFESTLY-EVIDENT APPROACH SUGGESTED BY THIS PANEL

The Supreme Court mandates that challenges to patent claims under Section 101 be judged on a level playing field, if anything favors the challenger in a close case. *See, e.g., Parker v. Flook*, 437 U.S. 584, 596 (1978) (“We would require a clear and certain signal from Congress before approving the position of a litigant who, as respondent here, argues that the beachhead of privilege is wider, and the area of public use narrower, than courts had previously thought.”) (citation omitted). Thus, in its 150 plus years of enforcing the limits on patentable subject matter, the Supreme Court has not once treated Section 101 as a “coarse filter” or required a “manifest”

showing of ineligibility. On the contrary, the Supreme Court just rejected that very suggestion:

[T]he Government argues that virtually any step beyond a statement of a law of nature itself should transform an unpatentable law of nature into a potentially patentable application sufficient to satisfy § 101’s demands. The Government does not necessarily believe that claims that (like the claims before us) extend just minimally beyond a law of nature should receive patents. But in its view, other statutory provisions—those that insist that a claimed process be novel, 35 U.S.C. § 102, that it not be “obvious in light of prior art,” § 103, and that it be “full[y], clear[ly], concise[ly], and exact[ly]” described, § 112—can perform this screening function. In particular, it argues that these claims likely fail for lack of novelty under § 102.

This approach, however, would make the “law of nature” exception to §101 patentability a dead letter. The approach is therefore not consistent with prior law. The relevant cases rest their holdings upon section 101, not later sections.

.... [T]o shift the patent eligibility inquiry entirely to these later sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do.

....

Section 112 ... does not focus on the possibility that a law of nature (or its equivalent) that meets these conditions will nonetheless create the kind of risk that underlies the law of nature exception, namely the risk that a patent on the law would significantly impede future innovation.

These considerations lead us to decline the Government’s invitation to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101.

Mayo Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289, 1303-1304 (2012) (citations omitted).

It was no surprise that the Supreme Court rejected this coarse-filter view of Section 101. Throughout its history, the Supreme Court has viewed our patent system as a “two-edged sword” requiring active judicial policing. *Id.* at 1305. “The Court has long held that [Section 101] contains an important implicit exception.” *Id.* at 1293. The exclusions to patent eligibility are important because a patent on an abstract idea, etc. “can impede the flow of information that might permit, indeed spur, invention,” *id.* at 1305, and “impede innovation more than it would tend to promote it.” *Id.* at 1293. This concern led the Court to reject the issued claims in *Prometheus*: “upholding the patents would risk disproportionately tying up the use of the underlying natural laws, inhibiting their use in the making of further discoveries.” *Id.* at 1294.

The panel majority’s view of Section 101 was in stark contrast. The majority acknowledged but one edge of the sword. It rightly expressed concern that overly restricting patentable subject matter can harm the value of patents, but it did not acknowledge any countervailing concern for the harm to innovation caused by patents on abstract ideas, etc. Based on its starkly different view of Section 101’s role, the panel majority embraced the

very “manifestly evident” and “coarse filter” view of Section 101 that the Supreme Court rejected—as the dissent observed.

Other panels and Judges agree with the dissent on this issue. *See, e.g., Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266 (Fed. Cir. 2012) (affirming summary judgment of invalidity, without imposing any “coarse filter,” “manifestly evident,” or like hurdle on the movant); *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011) (same); *see also MySpace, Inc. v. Graphon Corp.*, 672 F.3d 1250, 1269 (Fed. Cir. 2012) (Mayer, J., dissenting) (explaining that the Supreme Court has rejected the “coarse filter” approach, adding: “A robust application of section 101 is required to ensure that the patent laws comport with their constitutionally-defined objective.”)

This Court *en banc* should resolve this divide and decide this question in the affirmative:

Should courts enforce the patent eligibility requirement evenhandedly without imposing a “manifestly evident” or “coarse filter” hurdle on the patent challenger?

II. PATENT-ELIGIBILITY EXCLUSIONS SHOULD BE ENFORCED PROMPTLY

An evenhanded application of these patent-eligibility exclusions does little good if it takes years of litigation and hundreds of thousands of dollars before they are applied.

As a matter of legal precedent, patentability under Section 101 is a “threshold” requirement, *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010), which must be considered before Sections 102 and 103: “Only if the requirements of § 101 are satisfied is the inventor ‘allowed to pass through to’ the other requirements for patentability, such as novelty under § 102 and . . . non-obviousness under § 103.” *In re Comiskey*, 554 F.3d 967, 973 (Fed. Cir. 2009). “The Supreme Court has directed that the determination that statutory subject matter under § 101 exists ‘must precede’ the inquiries under §§ 102-103.” *In re Bergy*, 596 F.2d 952, 960 n.4 (CCPA 1979), *dismissed as moot sub nom. Diamond v. Chakrabarty*, 444 U.S. 1028 (1980).

As a practical matter, the exclusions to patentability are uniquely suited for early resolution at the pleadings stage. They present pure issues of law, and require no discovery or detailed claim constructions. No Supreme Court ruling enforcing these exclusions has required a detailed construction of any claim language.

And, as a policy matter, innovation should not be hampered any longer than necessary. No innovator should be forced to waste hundreds of thousands of dollars on a patent the Patent Office would not have granted in the first place had it applied the Supreme Court’s precedents.

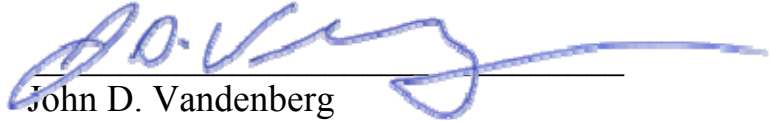
This Court *en banc* should decide this question in the affirmative:

Is patent eligibility a threshold requirement well-suited for decision on the pleadings and on early summary judgment?

CONCLUSION

Amici urge the Court *en banc* to reject these suggestions by the panel majority and confirm that trial courts should enforce Sec. 101 evenhandedly and early.

Respectfully submitted.



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December 7, 2012

**United States Court of Appeals
for the Federal Circuit**

CLS BANK v. ALICE CORPORATION, 2011-1301

CERTIFICATE OF SERVICE

I, John C. Kruesi, Jr., being duly sworn according to the law and being over the age of 18, upon my oath depose and say:

Counsel Press was retained by KLARQUIST SPARKMAN, LLP Attorneys for Amici Curiae to print this document. I am an employee of Counsel Press.

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December 7, 2012



John Kruesi

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