
**IN THE 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.

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

**REPLY *EN BANC* BRIEF
FOR CLS BANK INTERNATIONAL AND CLS SERVICES LTD.**

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CLS Services Ltd.
2. The names of the real parties in interest (if the party named in the caption is not the real party in interest) represented by me are:

CLS Bank International
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3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties or amici curiae represented by me are:

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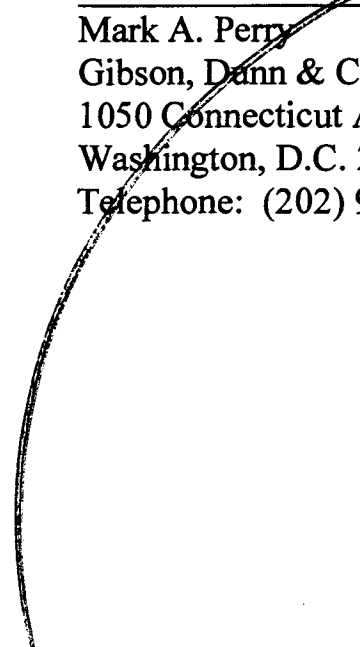


TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	ii
ARGUMENT	1
I. A Patent-Eligible Method Must Be Implemented Through An Inventive Concept.....	1
A. Where A Method Claim Is Predicated On An Abstract Idea, An Inventive Concept Is Necessary	2
1. Alice Misapprehends The Inventive Concept Requirement	2
2. Conventional Computing Functions Are Not Sufficient	5
3. The Presumption of Validity Has No Role To Play	9
B. The Method Claims Asserted Here Are Not Patent-Eligible	11
1. Alice’s Claims Fail On Their Own Terms.....	13
2. Alice’s Claims Fail The Government’s Multi-Factor Analysis	16
3. No Remand Is Warranted.....	20
II. Patent-Eligibility Turns On The Substance Of The Claimed Invention, Not The Form In Which Claims Are Drafted	22
CONCLUSION	29

TABLE OF AUTHORITIES

	<u>Page(s)</u>
Cases	
<i>In re Abele</i> , 684 F.2d 902 (C.C.P.A. 1982).....	24, 25
<i>In re Alappat</i> , 33 F.3d 1526 (Fed. Cir. 1994) (en banc)	27
<i>Aristocrat Techs. Austl. Pty Ltd. v. Int’l Game Tech.</i> , 521 F.3d 1328 (Fed. Cir. 2008)	26
<i>Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Can.</i> , 687 F.3d 1266 (Fed. Cir. 2012)	<i>passim</i>
<i>Bilski v. Kappos</i> , 130 S. Ct. 3218 (2010).....	<i>passim</i>
<i>In re Bilski</i> , 545 F.3d 943 (Fed. Cir. 2008) (en banc)	<i>passim</i>
<i>CLS Bank Int’l v. Alice Corp.</i> , 685 F.3d 1341 (Fed. Cir. 2012)	19, 21, 22
<i>CLS Bank Int’l v. Alice Corp.</i> , 768 F. Supp. 2d 221 (D.D.C. 2011).....	17, 20, 21
<i>CyberSource Corp. v. Retail Decisions, Inc.</i> , 654 F.3d 1366 (Fed. Cir. 2011)	<i>passim</i>
<i>Dealertrack, Inc. v. Huber</i> , 674 F.3d 1315 (Fed. Cir. 2012)	11, 17
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981).....	10, 19, 25
<i>Fort Props., Inc. v. Am. Master Lease LLC</i> , 671 F.3d 1317 (Fed. Cir. 2012)	17
<i>Gottschalk v. Benson</i> , 409 U.S. 63 (1972).....	<i>passim</i>
<i>KSR Int’l Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007).....	9

<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012).....	<i>passim</i>
<i>Micro Chem., Inc. v. Great Plains Chem. Co.</i> , 194 F.3d 1250 (Fed. Cir. 1999)	26
<i>Microsoft Corp. v. i4i Ltd. P'ship</i> , 131 S. Ct. 2238 (2011).....	9, 10
<i>O'Reilly v. Morse</i> , 56 U.S. (15 How.) 62 (1854)	24
<i>Parker v. Flook</i> , 437 U.S. 584 (1978).....	<i>passim</i>
<i>Quanta Computer, Inc. v. LG Elecs., Inc.</i> , 553 U.S. 617 (2008).....	24
<i>Research Corp. Techs. v. Microsoft Corp.</i> , 627 F.3d 859 (Fed. Cir. 2010)	11
<i>SiRF Tech., Inc. v. ITC</i> , 601 F.3d 1319 (Fed. Cir. 2010)	16
<i>In re Walter</i> , 618 F.2d 758 (C.C.P.A. 1980).....	26

Statutes

35 U.S.C. § 101	<i>passim</i>
35 U.S.C. § 102	10
35 U.S.C. § 103	10
35 U.S.C. § 112	10
35 U.S.C. § 112(f).....	26
35 U.S.C. § 251	10
35 U.S.C. § 282	10

Other Authorities

Black's Law Dictionary (9th ed. 2009)	15
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ARGUMENT

Alice's patents claim, at most, "token" references to a computer, "data-gathering steps," "post-solution activity," and "field-of-use" limitations, all of which Alice and the government concede are insufficient to confer patent-eligibility. Alice Br. 17; U.S. Br. 7, 13-14. The government does not now attempt to defend Alice's patents, admitting instead that the approach under which those patents were issued was inadequate under 35 U.S.C. § 101. U.S. Br. 5-6. Alice's own description of its method claims demonstrates that they merely recite abstract ideas implemented through a generic computer's database, calculation, and communication functions. Alice Br. 37. Alice's system and media claims include a computer for its "ordinary" or "basic" functions, which is insufficient to confer eligibility. *See* U.S. Br. 12. In the end, all of the asserted claims are patent-ineligible under Section 101 as interpreted by the Supreme Court.

I. A PATENT-ELIGIBLE METHOD MUST BE IMPLEMENTED THROUGH AN INVENTIVE CONCEPT

The principal briefs at the en banc stage—from CLS, the United States, and Alice—reflect much common ground.

There is no dispute among the principals, for example, that *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), applies to computer-implemented inventions. *See* Alice Br. 14-15; U.S. Br. 6; CLS Br. 11. Nor do the principals dispute that "insignificant" or "token" references to a com-

puter, “data-gathering steps,” “post-solution activity,” and “field-of-use” limitations are all insufficient to confer patent-eligibility. *See* Alice Br. 17-18; U.S. Br. 7, 13-14; CLS Br. 19, 25. There also is no dispute among the principals that this Court’s recent decision in *Bancorp Services, L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266 (Fed. Cir. 2012), outlines the proper approach to the Section 101 issues in this case. Alice Br. 24-26; U.S. Br. 10, 12-14; CLS Br. 24-25; *see also* Google *et al.* Br. 18; Clearing House Ass’n *et al.* Br. 18.

CLS respectfully submits that these points of agreement are sufficient grounds on which to affirm the district court’s judgment. The patents here claim the abstract idea of using a middleman to mitigate settlement risk and “implement” that idea through conventional or routine uses of generic computers programmed in ordinary ways. The claims here are indistinguishable, for purposes of the Section 101 analysis, from those invalidated in *Bancorp* and disallowed in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), *aff’g In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*). They are patent-ineligible.

A. Where A Method Claim Is Predicated On An Abstract Idea, An Inventive Concept Is Necessary

1. Alice Misapprehends The Inventive Concept Requirement

Alice incorrectly argues that CLS would require that a claim contain limitations that are “inventive in the sense that they are novel and non-obvious.” Alice Br. 20. The Supreme Court in *Mayo* analyzed the claims at issue there for eligibil-

ity, not for novelty or obviousness, although it did recognize that the proper Section 101 inquiry and other patentability inquiries, such as novelty, “might sometimes overlap.” 132 S. Ct. at 1304. That much was clear from the terms of the Court’s analysis (*e.g.*, “well-understood, routine, conventional,” *id.* at 1298), which are “sometimes” used in other patentability inquiries, albeit for a different end.

Mayo explained that “the Court’s precedents” “insist” that a claim “that focuses upon the use of a natural law [or other fundamental principle] also contain other elements or combination of elements, sometimes referred to as an ‘inventive concept.’” 132 S. Ct. at 1294; *Parker v. Flook*, 437 U.S. 584, 594 (1978). The presence of an “inventive concept” is necessary so that “patent law [does] not inhibit further discovery by improperly tying up the future use” of fundamental principles more than merited “relative to the contribution of the inventor.” 132 S. Ct. at 1301, 1303. It guarantees that the “creative value” of the invention merits protection relative to the patent’s foreclosure of “future innovation,” thereby “ensur[ing] that the patent in practice amounts to significantly more than a patent upon the natural law itself.” *Id.* at 1294.

Because the “inventive concept” requirement is aimed at ensuring “creative value,” an “inventive concept” is not supplied by, among other things, “‘conventional or obvious’” “pre” or “post-solution activity,” which is akin to reciting the natural law and “adding the words ‘apply it.’” 132 S. Ct. at 1294, 1298, 1303

(quoting *Flook*, 437 U.S. at 590). As a result, *Mayo* requires that the claims add to the fundamental principle something significantly more than the principle itself. Alice is simply wrong that there is no such requirement.

Applying that approach, the Court in *Mayo* asked, “what else is there in the claims” other than a fundamental principle. 132 S. Ct. at 1297. It first analyzed the three claimed steps separately, finding them insufficient to confer eligibility because they were, respectively, a limitation of the fundamental principle “to a particular technological environment,” a limitation merely “trusting” doctors to use the fundamental principle “appropriately,” and “well-understood, routine, conventional activity previously engaged in by scientists who work in the field.” *Id.* at 1297-98 (internal quotation marks omitted). Finally, the Court considered “the three steps as an ordered combination,” but found that insufficient too, because “[a]nyone who wants to make use of these laws” must perform them. *Id.* at 1298; see *Bilski*, 130 S. Ct. at 3231 (similar analysis).

CLS advocates and performs the same analysis. It focuses on Alice’s steps separately (CLS Br. 39-40, 47-48) and as an ordered combination (*id.* at 41, 49), contrary to Alice’s suggestion that CLS fails to analyze the claims “as a whole.” Alice Br. 20-22. And CLS analyzes the claims in terms that, like the Court’s, “overlap” with terms sometimes used in novelty and obviousness analysis but are here used to ascertain an “inventive concept.” See CLS Br. 39-41, 47-49.

Alice's criticism that CLS cited treatises and textbooks to show that Alice's claims lack an inventive concept is therefore misguided. Alice Br. 27-29. CLS cited those materials not to prove lack of novelty or obviousness, as Alice asserts, but rather as part of the Section 101 analysis authorized and required by Supreme Court precedent. In *Bilski*, for example, the Court cited three economics textbooks to show that the claims "explain the basic concept of hedging." 130 S. Ct. at 3231. The readily available texts and articles cited by CLS similarly show that Alice's patents claim the basic concept of an intermediated escrow, and that the various steps of the methods are all conventional and well-understood.

2. Conventional Computing Functions Are Not Sufficient

Alice proposes that a claim is an eligible application of an abstract idea if it "amounts to significantly more than a patent upon the [abstract idea] itself." Alice Br. 10 (internal quotation marks omitted; alteration in original). While *Mayo* begins its analysis with that language, it and *Bilski* require far more than mere recitation of a generic computer running off-the-shelf programs.

a. Alice's proposal that a patent is eligible under Section 101 so long as a computer "plays a sufficiently meaningful role that it is a significant part of the claimed invention" is not consistent with *Mayo*. Alice Br. 10.

As an initial matter, the Supreme Court requires an "inventive concept" "to ensure" that a claim premised on a fundamental principle "amounts to significantly

more than a patent upon the [fundamental principle] itself.” 132 S. Ct. at 1294 (emphasis added). It is well-established that a fundamental principle, by itself, is not eligible. Simply stating that a claim must be “more” than an abstract idea to be eligible adds nothing to the analysis. The applicant must claim “significantly more” to satisfy the underlying concern that “patent law not inhibit further discovery by improperly tying up the future use of [fundamental principles]” more than warranted “relative to the contribution of the inventor.” *Id.* at 1301, 1303.

According to Alice, reciting a computer that plays a “significant part” in the invention satisfies what it deems to be the “significantly more” approach. Alice Br. 10. Yet, the computers in *Benson* and *Flook* played a “significant part” in their respective inventions but those claims were ineligible. *See Gottschalk v. Benson*, 409 U.S. 63, 67, 72 (1972); *Flook*, 437 U.S. at 586, 590. Such “significance” may be necessary but it clearly is insufficient to meet the Section 101 threshold.

Alice’s approach cannot be reconciled with the Court’s reiteration that reciting “well-understood, routine, conventional” activity is insufficient. Alice recognizes, for example, that “printing the result of the calculation” or “data-gathering steps” are insufficient. Alice Br. 17-18. But, unlike the government, it refuses to acknowledge that these elements are insufficient *because* they are “conventional” computer elements. *See* U.S. Br. 12. As *Bancorp* held, and the government agrees, a claim must recite more than “ordinary” or “basic” computer functions to

be eligible. *Bancorp*, 687 F.3d at 1278-79. Reciting conventional computer elements does not add anything more to eligibility than reciting stock solutions, well-known equations, or any other component available to all.

Alice's approach, if accepted, would also lead to the bizarre conclusion that an abstract idea becomes eligible merely if it is computerized or placed on the Internet, that is, if mere "field-of-use" limitations are added. But the hedging method in *Bilski*, or the diagnostic method in *Mayo*, would have been equally ineligible had a conventional computer been added to calculate, perform, or display one or more of the steps.

b. The government recognizes that the Supreme Court's decisions in *Mayo* and *Bilski* require courts to apply Section 101 "more rigorously" (U.S. Br. 1, 15), and concedes that the PTO's "longstanding approach to the eligibility of computer-implemented inventions is no longer sufficient." *Id.* at 5-6. In particular, the government recognizes that mere recitation of a computer is no longer "virtually-dispositive" of eligibility. *Id.* at 6. (Of course, this is the standard under which Alice's patents were issued.)

The government now acknowledges, paralleling *Bancorp*, that "claims that do no more than merely recite the use of a computer for its *ordinary functions* of performing repetitive calculations, storing data, or automating routine tasks are less likely to be patent-eligible." U.S. Br. at 12 (emphasis added); *see id.* at 9-10, 12-

14; *see also* Clearing House Ass’n *et al.* Br. 20 (cannot recite computer merely to make the claimed process “more efficient”); BSA Br. 17 (cannot use computer simply to “perform calculations,” but rather computer must be “essential to the operation of the claimed methods”) (internal quotation marks omitted); Google *et al.* Br. 20-23 (“conventional” computer elements insufficient).

Consequently, the government’s approach is wholly inconsistent with Alice’s approach. For example, while Alice refuses to consider whether a claim recites a “specialized” computer or “improvements to computer technologies” (Alice Br. 29-32 (internal quotation marks omitted)), the government would weigh whether a claim recites “generic[]” as opposed to “specific, unconventional computer equipment” or “an improvement in the ability of the computer to function as a computer” (U.S. Br. 13).

The multi-factor balancing test proposed by the government (*see* U.S. Br. 13) is really just an alternative formulation of *Bancorp*’s holding that reciting a computer for its “ordinary functions” is insufficient. Indeed, four of the government’s six factors use synonyms of “ordinary” (*e.g.*, “nominally” reciting a computer, reciting “generic” computer equipment, reciting a computer for its “generic functions,” and reciting “conventional” computer-related steps), and the remaining two factors merely embrace the same concept in other words (*e.g.*, reciting “improvement[s]” in “computer function” and reciting a computer “bound up in an in-

vention”). We apply the government’s proposed factors to Alice’s patents below. See Part I.B.2.

3. The Presumption of Validity Has No Role To Play

Both Alice and the government argue that the presumption of validity applies in litigation under Section 101, and Alice further argues that the presumption supports the “manifestly evident” standard applied by the panel majority. U.S. Br. 21-22; Alice Br. 33. They are wrong.

The “rationale underlying the presumption” of validity is “that the PTO, in its expertise, has approved the claim.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). That rationale is “much diminished” where the PTO has not properly considered the relevant issue. *Id.*; see *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2249 (2011).

Here, as the government itself concedes, “its longstanding approach to the eligibility of computer-implemented inventions”—that is, the approach under which Alice’s patents were issued—“is no longer sufficient” and failed to apply Section 101 “rigorously” enough. U.S. Br. 1, 5-6. A “presumption of validity” should not (indeed, cannot) apply to claims that the government admits were issued under the wrong eligibility standard.

More generally, the presumption of validity does not apply to patent-eligibility challenges. The Supreme Court did not even mention the presumption

in *Mayo*, *Bilski*, *Diamond v. Diehr*, 450 U.S. 175 (1981), *Flook*, or *Benson*. That makes sense because what Congress named the “[p]resumption of *validity*” (35 U.S.C. § 282 (emphasis added)) applies only to the statutory bases for *invalidating* a patent. *See id.* §§ 102, 103, 112. As the Supreme Court has explained, Section 101 is a “threshold test.” *Bilski*, 130 S. Ct. at 3225. It defines subject-matter *eligibility* for patenting and is judicially enforceable *before* any bases for invalidity are ever reached. *Mayo*, 132 S. Ct. at 1303-04; *see also* *Google et al.* Br. 23.

The Supreme Court’s consistent practice finds support in the text of the Patent Act. The Act applies the presumption explicitly to Section 102, 103, 112, and 251, and “[a]ny other fact or act made a defense by [the Act].” 35 U.S.C. § 282. Section 101 is conspicuously missing. Nor is Section 101 a “fact or act made a defense by [the Act],” because its drafting reflects that it is an eligibility “threshold.” *See Bilski*, 130 S. Ct. at 3225; *compare, e.g.*, 35 U.S.C. §§ 102, 103(a), *with id.* § 101.

In addition, the presumption of validity applies only to issues triable to a jury: “a defendant seeking to overcome this presumption must persuade the *factfinder* of its in-validity defense by clear and convincing *evidence*.” *i4i*, 131 S. Ct. at 2243 (emphasis added); *id.* at 2245 n.4 (party overcoming presumption must “convince the jury of the facts in its favor”). Patent eligibility under Section 101 is a legal question reserved for the Court—not a jury. “[W]here the ultimate question

of patent validity turns on the correct answer to legal questions—what these subsidiary legal standards mean or how they apply to the facts as given—[the] strict [clear and convincing] standard of proof has *no application*.” *Id.* at 2253 (Breyer, J., concurring) (emphasis added). It is hard to see how it could be otherwise, because the “clear and convincing” standard applies to “evidence,” and “evidence” is used only to prove facts.

As the government recognizes (U.S. Br. 18), this Court has repeatedly stated that Section 101 presents a “question of law,” and has consistently adjudicated Section 101 issues on motions to dismiss or for summary judgment. *E.g., Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1369 (Fed. Cir. 2011); *Research Corp. Techs. v. Microsoft Corp.*, 627 F.3d 859, 867 (Fed. Cir. 2010); *In re Bilski*, 545 F.3d at 951. The Supreme Court, too, has treated the judicial exceptions to Section 101 as pure questions of law. *E.g., Mayo*, 132 S. Ct. at 1295; *Bilski*, 130 S. Ct. at 3225. There is no reason to change course now. And because the presumption of validity does not apply to Section 101, that presumption does not support the “manifestly evident” standard.

B. The Method Claims Asserted Here Are Not Patent-Eligible

Alice protests, overmuch, that CLS has not analyzed “the invention Alice actually claimed.” Alice Br. 44 (emphasis omitted). But CLS repeatedly reproduced

Alice’s claims in full and closely analyzed their language. CLS Br. 33-50, 55-60. Alice, in contrast, opines that the method claims would not work “as intended” without a computer (*id.* at 38 (internal quotation marks omitted)), even though a computer is not claimed and an inventor’s “intent” does not determine patent-eligibility.

Alice tries briefly to distinguish its method claims from the ineligible methods in *Bilski* and *Bancorp*. Alice Br. 26, 45. It fails because no meaningful distinction can be drawn dividing the Alice, *Bilski*, and *Bancorp* claims. See CLS Br. 38. While Alice promises that the role of a computer in its claims is “much more significant” (Alice Br. 44), it points to no specific claim limitation in this case that is different from that in those cases. For *Bilski*, it argues that the *Bilski* claims did not require use of a computer, but they were necessarily computer implemented in practice. 130 S. Ct. at 3223-24. In fact, the patentee in *Bilski* stated that “the practice of the invention will most likely involve both computers and modern telecommunications.” Pet. Br. at 7, *Bilski*, 130 S. Ct. 3218 (No. 08-964). For *Bancorp*, Alice’s one sentence of analysis relies only on *Bancorp*’s quotation of the panel majority’s *characterization* of Alice’s claims, not any language in those claims themselves. Alice Br. 44-45; see CLS Br. 45. Moreover, Alice’s contention is belied by Bancorp’s brief, which argues that the patent claims at issue in *Bancorp* and this case are indistinguishable for purposes of patent-eligibility. See

Bancorp Br. 18, 23-25. Bancorp also recognizes that *Bancorp* and the panel majority decision here are irreconcilable (*id.* at 4), although it errs in suggesting (*id.* at 15-23) that the latter is correct. *See* CLS Br. 28-29.

To give effect to the Supreme Court’s precedent, these claims should be held ineligible.

1. Alice’s Claims Fail On Their Own Terms

Lest there be any doubt, however, Alice’s *own* description of its claims demonstrates their ineligibility. According to Alice, the patents

require a particular sequence of computer-implemented steps that exchange obligations maintained at an exchange institution in a specific way. That specific way requires [1] creating electronically maintained shadow credit and shadow debit records which must be held independently of the parties’ real-world accounts at exchange institutions. It requires [2] that those records be adjusted electronically based on only certain specified allowed transactions, *i.e.*, when particular criteria are met to ensure that both parties have adequate value to perform the exchange. It requires, at least in the case of claim 33 of the ’479 patent, [3] that start-of-the-day balances be obtained from the exchange institution, that adjustments be made in chronological order, and that at the end of the day, instructions be given to the exchange institution to reflect the adjustments made on the basis of the permitted transactions. And it requires [4] that the instructions sent to the exchange institution be irrevocable, time invariant obligations placed on the exchange institution.

Alice Br. 37 (internal citations and quotation marks omitted); *see id.* at 41 (same).

Simply recharacterizing abstract economic concepts as a series of steps is not enough under *Mayo* and *Bilski*. *See In re Bilski*, 545 F.3d at 1013 (Rader, C.J., dissenting) (“vague economic concept” is “facially abstract claim”).

According to Alice, the first step [1] involves “independently” held “shadow accounts.” But a “shadow record” held “independently” is no more than a ledger entry kept by a middleman, which is the very type of “well-understood” activity that is insufficient. CLS Br. 39, 41-42. Alice offers no response to CLS’ argument on this point.

The second step [2], according to Alice, requires “electronically” “adjusting” “records” when there is “adequate value.” But this is a conventional bookkeeping operation and thus is insufficient. CLS Br. 40. Doing such adjustment only when “both parties have adequate value,” *i.e.*, not allowing debit balances, is merely adding to basic bookkeeping a condition that further trades will not be accommodated if one of the parties’ accounts falls below zero. This is the kind of post-solution activity that does not confer patent-eligibility. *See Flook*, 437 U.S. at 594 (post-solution calculation of “alarm limit”).

The third step [3] requires, according to Alice, obtaining “start-of-the-day balances,” adjusting them “chronologically” and giving instructions “at the end of the day.” But “obtain[ing] start-of-the-day balances” is mere data-gathering, the type of computer function even Alice admits to be insufficient. Alice Br. 18. Making adjustments in “chronological order” surely adds nothing; the running ledger is conventional for those familiar with checking accounts. And giving in-

structions “at the end of the day” is simply netting, which CLS argued (and Alice does not dispute) is an ancient abstract idea. CLS Br. 43.

According to Alice, the fourth step [4] requires sending “irrevocable, time invariant obligations.” But that is simply communication—the middleman’s directive to one party or the other to pay the net balance after a day of trading. A computer’s involvement in transmitting “obligations” should not confer patent eligibility. Alice focuses on the content of the communication, not any particular novel computer communication technique.

Nor do these steps taken together amount to more than the abstract idea of mitigating settlement risk via financial intermediation with only conventional use of computers to perform the intermediation. Notwithstanding Alice’s insistence that it is not claiming every instance of financial intermediation, its own analysis serves to show that the claims are directed to the abstract idea of one form of intermediated escrow. “The point of Alice’s invention,” Alice explains, is “for a computer system itself to stand between two parties to a transaction and then effect the exchange.” Alice Br. 36. But that is exactly what characterizes an escrow arrangement, where a “third person” holds the value to be exchanged and then “hand[s] over” the property. Black’s Law Dictionary 624 (9th ed. 2009). Indeed, Alice never disputes that this is exactly how escrow works. *See* CCIA Br. 2. Computerizing the middleman does not a patent-eligible invention make.

Alice also claims that “only a computer, not a human, can provide the necessary levels of accuracy and reliability” of its method in “real time” “remotely and instantaneously from any part of the world.” Alice Br. 38. But a person can act accurately, reliably, in real time, and, with the help of a telephone with multiple lines, instantaneously from any part of the world. A computer may do these things more quickly or more efficiently, or even more cheaply, but even Alice admits that using the computer as an ““obvious mechanism for permitting a solution to be achieved more quickly”” is not enough. *Id.* at 25 (quoting *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1333 (Fed. Cir. 2010)). The computer here does no more.

2. Alice’s Claims Fail The Government’s Multi-Factor Analysis

That the role of a computer in Alice’s claims does not confer eligibility is confirmed by application of the government’s approach, which Alice surprisingly endorses. Alice Br. 18. Tellingly, neither Alice nor the government actually applies the factors to Alice’s patents. That is because they are clearly ineligible under the government’s proposed approach.

As the government recognizes, claims that “do no more than merely recite the use of a computer for its *ordinary functions* of performing repetitive calculations, storing data, or automating routine tasks are less likely to be patent-eligible.” U.S. Br. 12 (emphasis added). Alice’s claims use computers for only those “ordinary functions”—to “create” and maintain records, “obtain” data via communica-

tion, “adjust” accounts by way of automatic calculations, and “instruct” other computers through communications. *See* CLS Br. 47-49. The government’s proposed factors thus confirm the patents’ ineligibility.

Factor 1: The claims only “nominally or tangentially” recite a computer (*see* U.S. Br. 13): the representative method claim in the ’479 Patent is merely assumed to require a computer, the ’510 Patent method claim recites only to “electronically adjusting” accounts, the system claims in the ’720 Patent and ’375 Patent recite merely to conventional elements such as a “data processing system,” and the media claims in the ’375 Patent recite only “computer readable program code.” *See* CLS Br. 49, 56-57 (internal quotation marks omitted); *CLS Bank Int’l v. Alice Corp.*, 768 F. Supp. 2d 221, 236 (D.D.C. 2011). These computer recitations are indistinguishable from that in *Fort Properties, Inc. v. American Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012), where the patentholder agreed that the method claims recited merely an “electronic device that features a central processing unit.” *Id.* at 1323-24 (internal quotation marks omitted); *see also CyberSource*, 654 F.3d at 1375 (reciting merely “computer readable medium”).

Factor 2: The claims also only “generically” recite a computer: nowhere is there mentioned “specific, unconventional computer equipment.” *See* U.S. Br. 13. In *Dealertrack*, the claims merely recited the “undefined phrase ‘computer aided’” and were wholly “silent” as to the details. 674 F.3d at 1333-34. That was insuffi-

cient. Alice’s computer recitations are similarly “undefined.” The method claims do not detail the role for a computer, other than that there is “electronic adjustment.” The system and media claims fare no better, because they merely recite conventional computer equipment, such as a “data processing system” or “computer readable program code.”

Factor 3: The use of the computer in Alice’s claims is not “an improvement in the ability of the computer to function as a computer”: the invention instead “relates principally to an unrelated, non-technological field” (*see* U.S. Br. 13), namely, finance. In *Bilski*, the claims primarily concerned how business should be conducted to use hedging to “protect[] against risk.” 130 S. Ct. at 3231. Similarly, Alice’s claims primarily concern how business should be conducted through mitigation of settlement risk. Indeed, the method claims contain only two words (“electronic adjustment”) specifically regarding computer functioning.

Factor 4: The computer’s functions in the invention are “generic functions” such as “automating tasks” and “communicating over a distance.” *See* U.S. Br. 14. In *Bancorp*, this Court found insufficient for eligibility the recitation of a computer for its “basic” functions, including storage and calculation. 687 F.3d at 1278. The computer must do something different in kind, not merely “more quickly,” than “a person making calculations or computations.” *Id.* The computer in Alice’s claims is used merely to expedite tasks a person can perform; it merely stores account

values, performs calculations, and communicates account values. *See* CLS Br. 47-49.

Factor 5: The abstract idea of financial intermediation is not “bound up in an invention” that “transform[s] matter” and the claims are instead simply descriptions of that idea in a “particular environment.” *See* U.S. Br. 14. In *Diehr*, the rubber curing machine tied together an abstract idea and a machine into a transformative device. 450 U.S. at 187-88. There was no separating the two when considering the claim “as a whole.” *Id.* That is not true of Alice’s claims. The computer is a mere add-on to a method in the finance environment; indeed, the method could be performed manually. *See* CLS Br. 44; *CLS Bank Int’l v. Alice Corp.*, 685 F.3d 1341, 1359 (Fed. Cir. 2012) (Prost, J., dissenting).

Factor 6: Finally, the computer-related elements of Alice’s claims “represent conventional steps, described at a high level of generality” that would be used by anyone who wished to mitigate risk through financial intermediation. U.S. Br. 14. The use of databases, storage, and communication—the only computer elements specified in the claims—is ubiquitous in today’s financial marketplace. Every accountant, bookkeeper, escrow agent, and similar intermediary makes use of these conventional tools to more efficiently and accurately keep ledgers of account. Indeed, while it certainly would be possible to perform Alice’s method with

pencil and paper, a modern financial professional would use routinely available computerized resources to ensure the correctness of his or her work.

3. No Remand Is Warranted

The government suggests that, instead of analyzing Alice's claims under the proper approach, this case should be remanded so that the district court can construe Alice's claims and apply the proper Section 101 analysis. U.S. Br. 24-25. That suggestion, which Alice notably does not echo, should be rejected.

The district court adopted a claim construction unfavorable to CLS pursuant to the parties' agreement for purposes of the Section 101 cross-motions for summary judgment. 768 F. Supp. 2d at 236 ("CLS has agreed to assume a construction of terms favorable to Alice"). Alice has never argued any additional claim construction issue. *E.g.*, Alice Br. 2-3. There is simply nothing for the court to construe.

Indeed, the government cannot point to a single claim limitation that is actually disputed or requires construction. Rather, the government first states that the panel, unlike the district court, "interpreted the claims to require 'shadow' credit and debit records that are maintained electronically." U.S. Br. 24. The district court, however, made that assumption as well, pursuant to the parties' agreement. 768 F. Supp. 2d at 236. The government also states that the panel interpreted the claims to require "particular relationships." U.S. Br. 24. The government's sole

explanation of this purported dispute is a citation to the paragraph of the panel opinion describing the method in detail. *Id.* at 25 (citing *CLS*, 685 F.3d at 1355). But, like the panel, the district court also described the method in detail, recognizing that it would require relationships in an “intricate trading platform.” 768 F. Supp. 2d at 236, 244-47. In any event, the “particular relationships” the government alludes to are at best a field-of-use limitation, that is, they limit the claims to a particular type of financial intermediation.

There also is no need for remand for the district court to apply Section 101—a question of law—in the first instance. The district court ruled the claims ineligible in an opinion that discussed many of the factors the government highlights. *Compare, e.g.*, U.S. Br. 7 (“field-of-use limitation,” a “tangential reference to technology,” “insignificant extra-solution activity,” and an “ancillary data-gathering step”), *with* 768 F. Supp. 2d at 241, 247 (“one field of use,” “no mention of any specific hardware,” and “insignificant postsolution activity”) (internal quotation marks omitted). This Court’s review is *de novo*. *In re Bilski*, 545 F.3d at 951. It would be far more useful to applicants, the PTO, district courts, and future panels for the en banc Court to apply Section 101 and disapprove of the claims at issue in this case.

II. PATENT-ELIGIBILITY TURNS ON THE SUBSTANCE OF THE CLAIMED INVENTION, NOT THE FORM IN WHICH CLAIMS ARE DRAFTED

Alice makes two critical concessions about its system and media claims. First, Alice admits, as it must under *Benson*, that “the exceptions to patent eligibility, including the ‘abstract idea’ exception, apply with equal force to claims drawn to the four different statutory categories.” Alice Br. 46 (citing *Benson*, 409 U.S. at 67-68). Second, Alice admits that its media claims stand or fall with its method claims, because they are directed to the same process as the method claims. *Id.* at 49-50 & n.3. Yet Alice resists the necessary implication of these admissions: that, because Alice’s system claims too are directed to the same process as the method claims, “the form of the claim in this case does not change the patent eligibility analysis under § 101.” *CLS*, 685 F.3d at 1353-54. Alice ignores the panel’s unanimous conclusion on this point even though it commends the panel majority for giving meaning to each of its claim limitations. Alice Br. 43-44.

Rather than identifying any limiting step in its system claims not present in the method claims, Alice boldly argues that its “computer system claims are patent-eligible because they claim tangible machines, *irrespective of what the computer is configured to do.*” Alice Br. 35 (emphasis added). Under Alice’s *per se* rule, the claims in *Mayo* and *Bilski* would both have been patent-eligible if drafted (or even construed) as a computer system configured to perform the concededly

ineligible method. In other words, Alice’s position would require this Court to conclude that the hedging method in *Bilski*, or the diagnostic method in *Mayo*, would have been patent-eligible if they were implemented on a generic computer system running off-the-shelf programming.

Alice is thus in the uncomfortable, if not untenable, position of arguing that a system claim would be eligible for a patent even though the corresponding method claim would not. Alice Br. 53. Taken literally, Alice advocates for a rule in which a drafter need only add five words—“A computer system configured to”—at the beginning of an ineligible computer-implemented method claim to evade *Mayo* and *Bilski* and pass the patent-eligibility threshold. Such a rule would create a gaping loophole in the Supreme Court’s “abstract idea” jurisprudence.

Alice’s approach, under which computer systems would be *per se* patent-eligible, cannot be reconciled with “the underlying functional concern” of the eligibility inquiry: “how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. The equation $E=mc^2$ is no more patent-eligible if run on a computer system than scrawled on a blackboard. See *Benson*, 409 U.S. at 67. For example, in *Morse*, the Court held patent-eligible Samuel Morse’s claims to his specialized machine, but ineligible claims that would generally foreclose the use of any “machinery” some “future inventor” might use to print characters at a distance—which is to say (in modern parlance) a computer

system. *O'Reilly v. Morse*, 56 U.S. (15 How.) 62, 113 (1854). The concern underlying Section 101 thus has nothing to do with which statutory category the claim nominally recites. *See Google et al.* Br. 19-20.

Rather, the statutory categories of “process[es], machine[s], manufacture[s], [and] composition[s] of matter” are all subject to the same “important implicit exception” excluding “[l]aws of nature, natural phenomena, and abstract ideas” from patent-eligibility. *Mayo*, 132 S. Ct. at 1293 (internal quotation marks omitted). Hence, *Benson* held that “the same principle applies” to both “a ‘process’ claim” and “a ‘product’ claim.” 409 U.S. at 67-68. The Court also has recognized in another context the importance of ensuring that a patentee cannot “simply draft their patent claims to describe a method rather than an apparatus” to “shield” the claim from the Patent Act’s requirements. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 629-30 (2008). As this Court has recognized, the inverse is true as well. When a claim “literally invoked an ‘[a]pparatus’” comprising a means for performing a method, this Court’s predecessor “treated it as a method claim for the purpose of its § 101 analysis.” *CyberSource*, 654 F.3d at 1374 (quoting *In re Abele*, 684 F.2d 902, 909 (C.C.P.A. 1982)).

Accordingly, “a machine, system, medium, or the like may in some cases be equivalent to an abstract mental process for purposes of patent ineligibility.” *Bancorp*, 687 F.3d at 1277. In *Bancorp*, this Court held ineligible system claims even

though they recited tangible objects configured to perform the method, such as “a fee calculator” for performing a step of the process, or “digital storage for storing” the data generated by the method. *Id.* (internal quotation marks omitted). When “[t]he only difference between the claims is the form in which they were drafted,” then “the system and method claims” are “equivalent for purposes of patent eligibility under § 101.” *Id.*

Alice does not grapple with this Court’s rationale in *CyberSource* and *Bancorp*, nor with this Court’s predecessor’s holding in *Abele*. Alice acknowledges *CyberSource*’s holding that claims to a tangible storage medium containing a program for performing the steps of an ineligible method are ineligible. Alice Br. 49-52. But Alice does not recognize that *Bancorp* applied the identical rationale to hold ineligible claims to a tangible computer programmed to perform the steps of an ineligible method. That is so because Alice’s argument to the contrary is fundamentally at odds with the concern of Section 101 to prevent foreclosure of innovation out of proportion to the patent’s contribution to technological advancement—regardless of the form of the claim.

Although the Supreme Court has long instructed that patent-eligibility should not turn on the draftsman’s art (*Diehr*, 450 U.S. at 191-92; *see also* Internet Retailers Br. 7-8), Alice argues that the draftsman who selects a system claim will secure patent-eligibility virtually automatically. Perhaps recognizing the many in-

congruities of such a rule, Alice asks the Court to import an inapposite distinction between a “functionally-defined” claim, which is patent-ineligible (Alice Br. 49), and a “structurally-defined” claim, which is necessarily “not a claim to an abstract idea because it is claiming a tangible machine” (*id.* at 16).

Alice’s distinction makes no sense in this context. A claim with an explicit means-plus-function limitation such as a “means for calculating a sum” covers only “the corresponding structure . . . described in the specification [for calculating a sum] and equivalents thereof.” 35 U.S.C. § 112(f). And, if the structure is a general-purpose computer, the structure includes the algorithm employed by the general-purpose computer to perform the recited function of “calculating a sum.” *Aristocrat Techs. Austl. Pty Ltd. v. Int’l Game Tech.*, 521 F.3d 1328, 1332-37 (Fed. Cir. 2008). A claim with a “structural” limitation like “a computer configured to calculate a sum” is *broader*, then, than a computer-implemented means-plus-function claim—even with the same amount of contribution to innovation. *See Micro Chem., Inc. v. Great Plains Chem. Co.*, 194 F.3d 1250, 1260 (Fed. Cir. 1999).

More fundamentally, it is not the case that the recitation of any structure more definite than “a means” will necessarily render a claim patent-eligible. *In re Walter*, 618 F.2d 758, 768 (C.C.P.A. 1980). Only a “specific apparatus distinct from other apparatus[es] capable of performing the identical functions” can poten-

tially lend patent-eligibility. *Id.* At this stage of our technological development, an off-the-shelf general-purpose computer—even one with a “data storage unit”—is not such an apparatus. *See* CLS Br. 23-33, 43-50.

Alice leans heavily on this Court’s pre-*Bilski* decision in *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc). *Alappat* does not answer the question in this case, as this Court already recognized when it “revisit[ed]” *Alappat en banc* and concluded that it was “inadequate” for purposes of Section 101 analysis. *In re Bilski*, 545 F.3d at 959-60. Moreover, *Alappat* did not announce a *per se* rule that all claims to programmed computers are patent-eligible. That case merely rejected the opposite *per se* rule that “a programmed general purpose computer could never be viewed as patentable subject matter under § 101.” *Id.* at 1545. As this Court recently clarified, *Alappat* actually “declined” to “decide whether a claimed apparatus could be unpatentably abstract under § 101.” *Bancorp*, 687 F.3d at 1276. *Alappat* did not hold that “simply reciting the use of a computer to execute an algorithm that can be performed entirely in the human mind” is patent-eligible. *CyberSource*, 654 F.3d at 1375.*

* This is not to say that a computer element, such as a specific device programmed in a particular way, may not *itself* be eligible for patenting. As CLS previously noted (CLS Br. 23-24), and neither Alice nor the government disputes, affirming the district court in this case would not cast doubt on all issued patents for “software” and other computer-enabled inventions. But a claim that recites an abstract idea and only implements that idea through *any* off-the-shelf computer is not eligible for that reason alone, as Alice suggests. That is the

In deciding whether the presence of a computer in a claim lends patent-eligibility to an otherwise patent-ineligible idea, it is the generality and conventionality of the computer limitation that makes the difference, not whether the limitation is drafted “structurally” or “functionally.” A general-purpose computer running conventional programs is merely a routine or conventional tool used in carrying out many methods; reciting it adds nothing to patent-eligibility, because it contributes no “creative value.” *Mayo*, 132 S. Ct. at 1303. Alice’s contrary argument, which amounts to nothing more than the proposition that its claims are patent-eligible because reciting a computer programmed to do anything at all is sufficient to make the applicant eligible for a patent monopoly, is not sufficient under Supreme Court precedent. *See Benson*, 409 U.S. at 67; *Flook*, 437 U.S. at 593-94.


equivalent of reciting an abstract idea and simply saying “apply it” with “conventional” steps.

CONCLUSION

The judgment of the district court should be affirmed.

Respectfully submitted.

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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(a)(7)(B)(iii) and Federal Circuit Rule 32(b), this brief contains 6,620 words. This certificate was prepared in reliance on the word count of the word-processing system (Microsoft Word 2010) used to prepare the brief.



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