

No. 15-1145

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**In the Supreme Court of the United States**

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VERSATA DEVELOPMENT GROUP, INC., PETITIONER

*v.*

SAP AMERICA, INC., ET AL.

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*ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT*

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**BRIEF FOR THE FEDERAL RESPONDENT**

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## QUESTIONS PRESENTED

In 2011, Congress created a temporary form of administrative proceeding, known as “transitional post-grant review,” that allows members of the public to seek cancellation by the United States Patent and Trademark Office (PTO) of allegedly invalid “covered business method” patents. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 329-331. The questions presented are as follows:

1. Whether the PTO was arbitrary or capricious in concluding that petitioner’s patent claims to a method for “pricing” products or services are sufficiently related to a “financial product or service” to qualify as a covered business method patent, even though they are not limited to the financial-services industry.

2. Whether the PTO was arbitrary or capricious in concluding that petitioner’s patent claims are not a “technological invention[]” excluded from the scope of covered business method patents.

3. Whether the court of appeals and the PTO correctly concluded that petitioner’s patent claims are directed to abstract ideas that are not patentable under 35 U.S.C. 101.

4. Whether the PTO may require that, during a transitional post-grant review, the claims in an unexpired patent will be given their “broadest reasonable construction” consistent with the patent’s specification.

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## BRIEF FOR THE FEDERAL RESPONDENT

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### OPINIONS BELOW

The opinions of the court of appeals (Pet. App. 1a-73a, 160a-165a) are reported at 793 F.3d 1306 and 793 F.3d 1352. The opinion of the district court (Pet. App. 168a-194a) is reported at 959 F. Supp. 2d 912. The final written decision of the Patent Trial and Appeal Board (Pet. App. 112a-148a) is reported at 107 U.S.P.Q.2d 1097. The decision of the Board to institute post-grant review of petitioner's patent (Pet. App. 74a-111a) is available at 2013 WL 5947661. The decision of the Board denying rehearing (Pet. App. 149a-157a) is available at 2013 WL 5947675.

### JURISDICTION

The judgments of the court of appeals were entered on July 9, 2015, and July 13, 2015. Petitions for rehearing were denied on October 15, 2015 (Pet. App. 158a-159a, 199a-200a). On January 5, 2016, the Chief

Justice extended the time within which to file a petition for a writ of certiorari to and including March 11, 2016, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

#### STATEMENT

1. In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded the authority of the United States Patent and Trademark Office (PTO) to reconsider the validity of issued patents. The AIA created two new forms of adversarial administrative proceedings—*inter partes* review and post-grant review—to be conducted before the newly created Patent Trial and Appeal Board (PTAB or Board). See generally 35 U.S.C. 311-319, 321-329. In addition, an uncodified section of the AIA created a temporary, third form of proceeding before the Board, known as “transitional post-grant review,” to address “the validity of covered business method patents.” § 18, 125 Stat. 329-331.

The transitional post-grant review program authorizes the Director of the PTO to institute a post-grant review of any “covered business method patent” at any time during the term of the patent (*i.e.*, without regard to the nine-month window that usually applies to post-grant-review proceedings). AIA § 18(a)(1)(A) and (E), 125 Stat. 329-330. The statute defines a “covered business method patent” as “a patent 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, except that the term does not include patents for technological inventions.” AIA § 18(d)(1), 125 Stat. 331. It further provides that “the

Director shall issue regulations for determining whether a patent is for a technological invention.” AIA § 18(d)(2), 125 Stat. 331.

A transitional post-grant review generally follows the procedures that govern the institution and conduct of ordinary post-grant reviews. See AIA § 18(a)(1), 125 Stat. 329-330 (providing, with certain exceptions, that transitional proceedings “shall be regarded as, and shall employ the standards and procedures of, a post grant review under [35 U.S.C. 321-329]”). After receiving a challenger’s “petition to institute” review of a particular patent, 35 U.S.C. 321(a), the Director of the PTO determines “whether to institute” the proceeding, 35 U.S.C. 324. Congress specified that the Director “may institute a transitional proceeding only for a patent that is a covered business method patent.” AIA § 18(a)(1)(E), 125 Stat. 330. It also provided, however, that the determination “whether to institute a post-grant review \* \* \* shall be final and non-appealable.” 35 U.S.C. 324(e); see AIA § 18(a)(1), 125 Stat. 329 (making Section 324(e), *inter alia*, applicable to transitional post-grant reviews).

The Director has delegated to the Board her authority to institute both ordinary and transitional post-grant-review proceedings. See 37 C.F.R. 42.208, 42.300(a). If the Board decides to institute review, it conducts a trial-like adversarial proceeding to determine the patentability of the challenged claims. 35 U.S.C. 325. During such a proceeding, as in all other proceedings before the PTO, an unexpired patent claim “shall be given its broadest reasonable construction in light of the specification of the patent in which



it appears.” 37 C.F.R. 42.300(b).<sup>1</sup> The proceeding culminates in a “final written decision with respect to the patentability” of the claims at issue. 35 U.S.C. 328. The Board’s “final written decision” on patentability may be appealed to the Federal Circuit. See 35 U.S.C. 141(c), 329.

The transitional-post-grant-review program will expire on September 16, 2020, eight years after the effective date of the PTO’s implementing regulations. See AIA § 18(a)(3)(A), 125 Stat. 330; 77 Fed. Reg. 48,680, 48,734 (Aug. 14, 2012). The legislative history explains that this temporary program was expected to help eliminate the suspect business-method patents that were issued before this Court’s decision in *Bilski v. Kappos*, 561 U.S. 593 (2010). See 157 Cong. Rec. 3420, 3432 (2011) (explaining that the program would “reduce the burden on the courts of dealing with the backwash of invalid business-method patents” and would “address[] disputes” about “a large number of business-method patents that are no longer valid” after *Bilski*); see also H.R. Rep. No. 98 Pt. 1, 112th Cong., 1st Sess. 54 (2011) (observing that “[a] number of patent observers believe the issuance of poor [quality] business-method patents during the late 1990’s through the early 2000’s led to the patent ‘troll’ lawsuits that compelled the Committee to launch the patent reform project”).

2. Petitioner owns U.S. Patent No. 6,553,350 (the ‘350 patent), which claims a method for determining an appropriate price for selling any type of product or service to any type of customer. Pet. App. 74a-75a; see

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<sup>1</sup> Section 42.300(b) was adopted pursuant to the PTO’s authority under the AIA to promulgate rules “establishing and governing” post-grant reviews. 35 U.S.C. 326(a)(4).

generally *id.* at 206a-233a (reproducing the patent). In 2007, petitioner sued respondents SAP America, Inc., and SAP AG (collectively SAP) for infringing that patent. *Id.* at 10a. In 2012, before that litigation concluded, SAP petitioned the Board to institute a transitional post-grant review of several claims in the patent. *Ibid.*

a. After determining that the '350 patent is a “covered business method patent” and that the remaining institution criteria were satisfied, the Board granted the petition to institute the review proceeding. Pet. App. 74a-111a.

b. While the review proceeding was pending before the Board, petitioner filed a civil action in the United States District Court for the Eastern District of Virginia challenging, under the Administrative Procedure Act (APA), 5 U.S.C. 701 *et seq.*, the Board's threshold decision to institute a transitional post-grant review of the '350 patent. See Pet. App. 162a. The district court dismissed petitioner's APA complaint for lack of jurisdiction. *Id.* at 166a-194a. The court concluded that the “AIA's express language and its detailed scheme for administrative and judicial review evince Congress's clear intent to preclude subject matter jurisdiction in federal district court.” *Id.* at 176a; see also *id.* at 177a-186a. “[A]s an alternative ground” for dismissing the complaint, the court further held that petitioner had failed to state a claim under the APA “because the institution of post-grant review is not,” as required by 5 U.S.C. 704, “a final agency action for which [petitioner] lacks an alternative adequate remedy in a court.” Pet. App. 176a; see also *id.* at 186a-193a.

c. Meanwhile, the Board expedited the review proceeding. Pet. App. 114a. After briefing and an oral

hearing (see *id.* at 114a-115a), the Board issued its final written decision. *Id.* at 112a-148a. It concluded that the challenged claims recite abstract ideas that are unpatentable under 35 U.S.C. 101 and “do not provide enough significant meaningful limitations to transform these abstract ideas into patent-eligible applications of these abstractions.” Pet. App. 147a.

3. Petitioner sought review in the Federal Circuit of the Board’s decision and of the district court’s decision dismissing petitioner’s APA claim. After consolidating the two appeals for oral argument (Pet. App. 3a n.1), the court of appeals issued two opinions, affirming both the Board’s final written decision and the district court’s decision. See *id.* at 1a-58a, 160a-165a.

a. In reviewing the Board’s decision, the court of appeals first discussed its authority to address petitioner’s contentions that the Board had erred in treating the ’350 patent as a “covered business method patent” that could be the subject of a transitional post-grant review. Pet. App. 22a-29a. The court recognized that the classification of a patent as a “covered business method patent” is relevant only to the determination whether transitional post-grant review is available, not to the patentability of the challenged claims, and that Congress has specified in 35 U.S.C. 324(e) that the decision “whether to institute” such a proceeding “shall be final and nonappealable.” See Pet. App. 22a-23a. Nevertheless, the court construed Section 324(e) to permit the court of appeals to review “PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent.” *Id.* at 22a. The court concluded that “whether [a] patent is within the PTAB’s § 18 authority” is

within the court of appeals’ “authority to review.” *Id.* at 29a.<sup>2</sup>

b. Turning to the merits of the Board’s decision, the court of appeals agreed that the Board had properly determined that the ’350 patent qualifies as a “covered business method” patent. Pet. App. 30a-39a. The court explained that, contrary to petitioner’s contention, “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.” *Id.* at 35a. Rather, the statute “on its face covers a wide range of finance-related activities,” and “the ’350 patent and the invention it comprises fall well within the terms of the statutory definition of a ‘covered business method.’” *Id.* at 35a-36a. The court further agreed that the ’350 patent is not a “technological invention” exempt from the scope of covered business method patents under Section 18(d)(1) and the PTO’s implementing regulations. *Id.* at 36a-39a. The ’350 patent, the court concluded, “is not a technical solution but more akin to creating organizational management charts,” and the invention “is essentially not a technological one as that term ordinarily would be understood.” *Id.* at 39a.

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<sup>2</sup> As the government has explained elsewhere (see Resp. Br. at 46 n.11, *Cuozzo Speed Techs., LLC v. Lee*, No. 15-446 (Mar. 23, 2016)), it originally argued in petitioner’s district-court suit that Sections 324(e) and 329 merely postponed appellate review of the correctness of the Board’s decision to initiate review of a covered business method patent. In the court of appeals, however, the government contended that Congress had entirely precluded appellate review of that decision. The court of appeals concluded that the government’s “original position on reviewability, with some clarification, was the correct one.” Pet. App. 21a.

c. The court of appeals rejected petitioner’s challenge to the Board’s use of the “broadest reasonable construction” methodology in interpreting the challenged patent claims during the post-grant review. Pet. App. 39a-42a; see 37 C.F.R. 42.300(b). In doing so, the court relied on its decision in *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015), cert. granted *sub nom. Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 890 (2016), which had rejected a challenge to the use of the same methodology during *inter partes* review proceedings. See Pet. App. 41a. The court saw “no basis for distinguishing between the two proceedings for purposes of the PTAB’s use of” that methodology. *Ibid.* In any event, the court observed, “it is less than clear that the outcome in this case would be different under a different claim construction regime,” because even under petitioner’s rule of construction, “the PTAB’s interpretation of the claims \* \* \* is correct.” *Ibid.*

d. Finally, the court of appeals affirmed the Board’s conclusion that petitioner’s patent claims are directed to abstract ideas that are not patentable under 35 U.S.C. 101. Pet. App. 46a-57a. The court applied the two-step framework set forth in *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012). First, the court concluded that the challenged claims are “directed to the abstract idea of determining a price, using organizational and product group hierarchies.” Pet. App. 52a. The court explained that “[u]sing organizational and product group hierarchies to determine a price is” no more than “a basic conceptual framework”—“an abstract idea that has no particular concrete or tangible form or applica-

tion.” *Ibid.* Second, “after considering the limitations of each claim individually and as an ordered combination,” the court concluded that none of them imposes “sufficient additional limitations to transform the nature of any claim into a patent-eligible application of an abstract idea.” *Ibid.* The court explained that, even when “[v]iewed as a whole, the claims simply recite the concept of price determination by using organizational and product group hierarchies as performed by a generic computer.” *Id.* at 53a. Accordingly, the court concluded that “[t]he section 101 analysis applied by the PTAB was not legally erroneous under *Mayo* and *Alice*.” *Id.* at 57a.

e. Judge Hughes concurred in part and dissented in part. Pet. App. 59a-73a. He joined most aspects of the majority’s decision, including its conclusion that petitioner’s challenged patent claims are invalid under 35 U.S.C. 101. Pet. App. 59a. He dissented, however, from the majority’s conclusion that the court of appeals could properly review the Board’s determination at the institution phase that the ’350 patent constitutes a “covered business method patent.” *Id.* at 59a-73a. In his view, the majority’s holding “defeats Congress’s clearly expressed intent” to render the decision to institute a review final and nonappealable, because it “arrogat[es] to the court the Board’s statutory authority to finally decide which patents are ‘covered business method patent[s]’ suitable for review.” *Id.* at 60a (second set of brackets in original).

f. In a separate opinion entered four days later, the court of appeals affirmed the district court’s dismissal of petitioner’s APA challenge to the Board’s institution of review. Pet. App. 160a-165a. The court of appeals noted its prior conclusion that it could review the

Board’s determination that the proceeding involved a “covered business method patent,” and it concluded that the district court had correctly rejected petitioner’s APA complaint. *Id.* at 164a. Judge Hughes concurred in the result. *Id.* at 161a.

4. Petitioner sought rehearing with respect to both of the court of appeals’ opinions. The government sought rehearing with respect to the panel majority’s conclusion in the first opinion that Section 324(e) did not prevent it from reviewing the Board’s determination that the ’350 patent is a covered business method patent. The court of appeals denied those petitions. Pet. App. 158a-159a, 199a-200a.<sup>3</sup>

#### DISCUSSION

Three of the four questions presented here intersect with questions that are already pending before the Court in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (argued Apr. 25, 2016). Petitioner’s fourth question presented—whether the PTO has acted appropriately in giving patent claims their “broadest reasonable construction” during transitional post-grant review proceedings (Pet. 32-34)—is materially identical to the first question presented in *Cuozzo* and should be disposed of as appropriate in light of the Court’s decision in that case. Petitioner’s first two questions presented (Pet. 14-24) challenge the merits of the Board’s determination, affirmed by the court of appeals, that petitioner’s patent could be subject to transitional post-grant review as a “covered business

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<sup>3</sup> The court of appeals has since “limited” its Section 324(e) holding “to the unique circumstances of” transitional post-grant reviews. *Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 657 (Fed. Cir. 2015), cert. dismissed, 136 S. Ct. 998 (2016).

method” patent that is not a “technological invention.” That fact-bound determination was correct and does not warrant this Court’s review. But even if it did, further review could be barred, depending on how the Court resolves the second question presented in *Cuozzo* (*i.e.*, whether the court of appeals lacks jurisdiction, in the course of reviewing the Board’s final written decision about patentability, to address the Board’s earlier decision to institute a review proceeding). Petitioner’s third question presented—whether petitioner’s challenged claims were for abstract ideas that are unpatentable under 35 U.S.C. 101 (Pet. 25-32)—is unrelated to *Cuozzo*. That question does not warrant this Court’s review because petitioner’s challenge to that aspect of the decision below is both meritless and fact-bound.

1. Petitioner contends that the Board and the court of appeals adopted too broad a reading of what constitutes a “covered business method” patent for purposes of transitional post-grant review (Pet. 15-17) and too narrow a reading of what constitutes a “technological invention[]” excluded from such review (Pet. 20-22). As the dissent below explained, however, the court of appeals should not have reached either of those questions. Pet. App. 65a-68a. The AIA states that the PTO’s decision “whether to institute a post-grant review \* \* \* shall be final and nonappealable.” 35 U.S.C. 324(e). That statutory bar is fully applicable to transitional post-grant reviews. See AIA § 18(a)(1), 125 Stat. 329 (“The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under [35 U.S.C. 321-329], subject to [exceptions not relevant here].”).



The Board’s determination that a particular patent constitutes a “covered business method patent” within the meaning of Section 18(d)(1) of the AIA (125 Stat. 331) therefore is not properly subject to judicial review in an appeal from the Board to the Federal Circuit. That determination is relevant only to the decision whether to institute a transitional post-grant review; it has no bearing on whether the patent (if reviewed) is valid or invalid. See AIA § 18(a)(1)(E), 125 Stat. 330 (specifying that the Director “may institute a transitional proceeding only for a patent that is a covered business method patent”); Pet. App. 66a (Hughes, J., dissenting in relevant part) (“[T]he language of the statute expressly ties the [covered business method] requirement to the Board’s unreviewable decision to institute, not the Board’s ultimate authority to invalidate.”). An error in the agency’s classification of a patent as a “covered business method patent” would affect the propriety of the institution decision—but that is the decision that Section 324(e) makes “final and nonappealable.” Whether a patent is a “covered business method patent” has no bearing on the ultimate determination embodied in the Board’s “final written decision with respect to the patentability of any [challenged] patent claim,” 35 U.S.C. 328(a), which is the only decision that can properly be appealed to the Federal Circuit. See 35 U.S.C. 141(c), 329.<sup>4</sup>

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<sup>4</sup> As the district court recognized in dismissing petitioner’s parallel APA complaint, Section 324(e) also precludes collateral attacks in federal district court on the decision to institute a transitional post-grant review. Pet. App. 176a (“[T]he AIA’s express language and its detailed scheme for administrative and judicial review evince Congress’s clear intent to preclude subject matter jurisdiction in federal district court.”); see also *id.* at 177a-

In *Cuozzo*, the Court is currently considering the proper interpretation of 35 U.S.C. 314(d), which provides (in terms materially identical to Section 324(e)) that the Board’s decision “whether to institute an *inter partes* review \* \* \* shall be final and nonappealable.” While the decision below purported to distinguish the appeal bar in this case from the one at issue in *Cuozzo* (Pet. App. 28a-29a), that reasoning would likely need to be reconsidered in light of any decision by this Court that Congress intended to preclude an appeal of the Board’s decision that the criteria for instituting an *inter partes* review had been satisfied.<sup>5</sup> Thus, even if the Court were otherwise inclined to review either of petitioner’s challenges to the determination that its patent qualifies for transitional post-grant review, the Court should first consider vacating the decision below and remanding for reconsideration

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186a. Petitioner nominally seeks review of the decision affirming the dismissal of its APA complaint, but makes clear that it does so “solely to forestall any argument that it should have proceeded under the APA instead.” Pet. 12 n.3. Petitioner advances no separate argument that the institution decision would be properly reviewable under the APA even if Section 324(e) precludes direct review of that decision in the court of appeals.

<sup>5</sup> Like the petitioner in *Cuozzo*, the decision below invokes “pre-AIA case law” that treated limitations on the scope of the PTO’s authority to initiate a reexamination as being “reviewable upon the final decision.” Pet. App. 27a-28a (citing, *inter alia*, *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997)); see Pet. Br. at 50-51, *Cuozzo*, *supra* (Feb. 22, 2016). But that comparison fails to acknowledge the difference between the *asymmetric* appeal bar that prevents review of a decision *not* to institute an *ex parte* reexamination because “no substantial new question of patentability has been raised” (35 U.S.C. 303(c)) and the broader appeal bars that apply to determinations *whether or not* to institute an *inter partes* or post-grant review (35 U.S.C. 314(d), 324(e)).

of that threshold jurisdictional question in light of *Cuozzo*. Cf. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2131 (2014) (noting that “we are a court of review, not of first view,” and remanding for Federal Circuit to apply newly announced standard of claim definiteness to the patent at issue) (citation omitted).

2. Even assuming that the Federal Circuit was authorized to review the Board’s determination under Section 18(d)(1) that petitioner’s patent is a “covered business method patent” and does not claim a “technological invention[],” the court of appeals’ affirmance of that determination was correct and does not warrant further review.

a. The PTO’s authority to conduct transitional post-grant reviews will expire in September 2020, see p. 4, *supra*, and the term “covered business method patent” does not appear in the Patent Act outside of that temporary program. Petitioner’s challenge to the PTO’s interpretation of that term therefore lacks sufficient prospective importance to warrant this Court’s review.

b. In any event, petitioner identifies no sound basis for setting aside the agency’s determination as arbitrary or capricious.<sup>6</sup> The AIA defines the term “covered business method patent” to mean “a patent that claims a method or corresponding apparatus for per-

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<sup>6</sup> Petitioner fails to acknowledge the applicable standard of review. The Board’s classification of a patent as a “covered business method patent” involves the agency’s interpretation and application, on particular facts, of a provision of the Patent Act that is entrusted exclusively to the agency to administer. The question whether an agency has reasonably exercised its statutory authority in such circumstances “falls within the province of traditional arbitrary and capricious review under 5 U.S.C. § 706(2)(A).” *Arent v. Shalala*, 70 F.3d 610, 616 (D.C. Cir. 1995); see also *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

forming data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” § 18(d)(1), 125 Stat. 331. The AIA further provides that, for purposes of that definition, “the Director shall issue regulations for determining whether a patent is for a technological invention.” § 18(d)(2), 125 Stat. 331. The Director has issued a regulation providing in relevant part that, “[i]n determining whether a patent is for a technological invention \* \* \*, the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. 42.301(b).

c. Applying those definitions here, the Board reasoned that the term *financial* “simply means relating to monetary matters.” Pet. App. 93a. That construction is consistent with the term’s ordinary meaning. See, e.g., 5 *The Oxford English Dictionary* 921 (2d ed. 1989) (def. 1: “Of, pertaining, or relating to finance or money matters”); *Random House Webster’s Unabridged Dictionary* 719 (2d ed. 2001) (def. 1: “pertaining to monetary receipts and expenditures; pertaining or relating to money matters”). It comfortably embraces the ’350 patent, which claims a “method for determining a *price* of a product offered to a purchasing organization.” Pet. App. 231a (claim 17) (emphasis added). Contrary to petitioner’s suggestion (Pet. 17, 19), the Board’s reasoning does not imply that every patent touching anything “used to conduct commerce” or connected with “some aspect of commercial activity” will constitute a covered business method patent.

Instead, it implies only that, as the statutory term itself suggests, patents directed to the processing of data for providing a financial service—here, a pricing technique that petitioner describes as “critical to winning business” (Pet. 4)—are covered.

Petitioner contends (Pet. 15) that the definition of “covered business method” should be limited to “products or services such as loans, investments, insurance, etc., typically offered by banks, brokerages, and insurance companies.” The court of appeals correctly rejected that argument, which “would require reading limitations into the statute that are not there.” Pet. App. 35a. “The statutory definition makes no reference to financial institutions as such, and does not limit itself only to those institutions.” *Ibid.* Rather, “[t]he plain text of the statutory definition \* \* \* covers a wide range of finance-related activities.” *Ibid.*

The PTO is authorized to “issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents.” AIA § 18(a)(1), 125 Stat. 329. In exercising that authority, it specifically considered and decided against limiting the provision’s reach to the financial-services industry. See Pet. App. 92a-93a; 77 Fed. Reg. at 48,736 (concluding that the statute was not intended to confine “‘financial product or service’ \* \* \* to the products or services of the financial services industry”). If Congress had intended to limit transitional post-grant reviews to industry-specific products and services of the financial sector, as petitioner asserts (Pet. 15-16), it could have written that limitation into the AIA. But it did not. See 77 Fed. Reg. at 48,736 (noting that “the legislative history reveals that ‘[t]he plain meaning of “financial product

or service” demonstrates that section 18 is not limited to the financial services industry”) (brackets in original) (quoting 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

As explained above (see pp. 11-14, *supra*), the court of appeals should not have reviewed the agency’s threshold determination under Section 18(a)(1) that the ’350 patent is a covered business method patent. Having found that determination to be reviewable, however, the court was correct in affording “substantial deference” to the PTO’s interpretation of the AIA in light of Congress’s “broad delegation of rulemaking authority in the establishment and implementation of this transitional post-grant review proceeding.” Pet. App. 35a-36a. That aspect of the court’s decision does not warrant further review.

d. Petitioner is equally mistaken in its attack (Pet. 20-22) on the Board’s determination that petitioner’s challenged claims are not “technological inventions” excluded from transitional post-grant review under Section 18(d)(1). Applying the regulation that explicates the term “technological inventions,” the Board explained that the ’350 patent does not fall within that safe harbor because “the claimed method steps could be performed by one of ordinary skill in the art with pencil and paper.” Pet. App. 97a-98a.<sup>7</sup> To the extent

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<sup>7</sup> The court of appeals suggested that the regulation’s definition is too circular to be helpful. Pet. App. 37a. But defining a “technological invention” as one that “solves a technical problem using a technical solution,” 37 C.F.R. 42.301(b), does provide meaningful guidance: many business-method patents fail that test. Cf. *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2359 (2014) (suggesting that an invention that “effect[s] an improvement in [another] technology or technical field” is more likely to be patent-eligible). As the Board noted (Pet. App. 94a-95a), moreover, the PTO has

that the patent contemplates the use of a general-purpose computer to perform the method, the Board continued, it employs the computer only for its known and generic functions. *Ibid.* The Board thus reasonably determined that the '350 patent failed to recite any novel and nonobvious *technological* (as opposed to business or financial) innovation. See *ibid.*

The Board's conclusion that the challenged claims do "not solve a technical problem using a technical solution" is similarly well supported. Pet. App. 98a. The Board explained that "[o]rganizing data into hierarchies \* \* \* is not a technical solution" because it "is akin to creating organizational management charts." *Ibid.* As the court of appeals concluded, "whatever may be the full sweep of the term 'technological invention,' the invention that comprises the '350 patent is essentially not a technological one as that term ordinarily would be understood." *Id.* at 39a.

There is no merit to petitioner's contention that any patent claim that recites any technology—no matter how conventional or peripheral to the invention—must qualify as a "technological invention." See Pet. 20-21 (asserting that "[a] patent that 'recit[es] known technologies' is obviously technological") (second set of brackets in original). By petitioner's lights, what the patentee has actually *invented* does not need to be

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published a practice guide identifying "claim drafting techniques [that] would not typically render a patent a technological invention." 77 Fed. Reg. at 48,764. The practice guide explains, *inter alia*, that "[m]ere recitation of known technologies, such as computer hardware," normally will not render an invention "technological," even if the technology is used to accomplish a process or method that is otherwise novel and nonobvious. *Ibid.* The Board's analysis of the '350 patent hewed to the regulation and to the PTO's guidance.

technological to count as a “technological invention,” so long as the patentee includes a limitation that confines the invention’s use to any generic form of technology. This Court has rejected that form of reasoning under Section 101. See, *e.g.*, *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2358 (2014) (observing that “limiting the use of an abstract idea to a particular technological environment” is not sufficient for patentability) (citation and internal quotation marks omitted). There is no reason to think that Congress intended to exclude from the definition of “covered business method patents” non-technological business methods that happen to be implementable by computer. Indeed, petitioner’s interpretation of Section 18(d)(1) would permit the safe harbor for “technological inventions” to swallow the category of “covered business method patents,” which encompasses methods and related machines for financial “data processing.” Petitioner identifies no sound basis for setting aside the Board’s sensible rejection of that interpretation. See *Cuomo v. Clearing House Ass’n*, 557 U.S. 519, 530 (2009) (refusing to read a statutory exception in a way that “would swallow the rule”).

3. With respect to petitioner’s third question presented (Pet. 25-32), the court of appeals correctly upheld the Board’s determination under 35 U.S.C. 101 that the challenged claims of the ’350 patent are directed to unpatentable abstract ideas. Pet. App. 46a-57a. That fact-bound determination does not warrant this Court’s review.

a. Entitled “Method and apparatus for pricing products in multi-level product and organizational groups,” the ’350 patent claims a method for determining a price for selling any type of product or service to any



type of customer. Pet. App. 206a (capitalization altered). Independent claim 17, which the Board and the parties treated as illustrative, recites a “method for determining a price of a product offered to a purchasing organization.” *Id.* at 231a. The method comprises the following steps: (1) “arranging” purchasing organizations into a logical hierarchy, such as by size or geography; (2) “arranging” the products for sale into a similar logical hierarchy; (3) “storing” pricing information associated with customers and products in a “data source”; (4) “retrieving applicable pricing information” for a particular transaction from the relevant hierarchies; (5) “sorting the pricing information” according to the hierarchies; (6) “eliminating” the less restrictive pricing information; and (7) “determining the product price using the sorted pricing information.” *Id.* at 231a-232a (claim 17). The remaining claims at issue involve a computer-implemented variation on that basic method (claim 27), computer-readable media containing instructions to implement those methods (claims 26 and 28), and a generic computer programmed to perform the method (claim 29). *Id.* at 232a.

The Board analyzed the patentability of petitioner’s claims under the two-step framework that this Court has established for resolving patent-eligibility questions under Section 101. Under that framework, the first step is to determine whether the claims at issue are directed to an abstract idea or other ineligible subject matter. See *Alice*, 134 S. Ct. at 2355; *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296-1297 (2012). If so, the second step is to determine whether the claims contain sufficient additional limitations to ensure that, in practice, the

patent is not simply an effort to monopolize the ineligible subject matter. *Alice*, 134 S. Ct. at 2355; *Mayo*, 132 S. Ct. at 1297.

Here, the Board first determined that the challenged claims are directed to the unpatentable abstract idea of determining a price for a product or service by using customer and product hierarchies. Pet. App. 141a. The idea of arranging customer and product information into “organizational hierarchies,” the Board explained, “represents a ‘disembodied concept,’ a basic building block of human ingenuity.” *Ibid.* The Board found it equally abstract to use information arranged in that fashion to calculate a price for a product, explaining that this “is essentially a method of calculating.” *Ibid.*

The Board then searched for, but failed to find, any other indication that the claims include “meaningful limitations beyond the abstract idea itself.” Pet. App. 141a-147a. Although the challenged claims recite the use of generic computer hardware (processor, memory, and storage), the claimed invention employs that hardware only in “routine” ways, and the patent generally “makes clear that its contribution to the arts lies not in the type of computing device or processing environment employed.” *Id.* at 143a. Indeed, the Board noted, petitioner’s own expert witness indicated under cross-examination that the underlying pricing method in the claim “could be performed by pen and paper.” *Id.* at 142a. The Board also “credit[ed] the testimony” of respondent SAP’s expert and found “that the additionally claimed steps of storing, retrieving, sorting, eliminating and receiving are well-known, routine, and conventional steps.” *Id.* at 146a. Accordingly, the Board concluded that petitioner’s “claims do not add

meaningful limitations beyond the recited abstract idea and, in practical effect, preempt the abstract idea.” *Id.* at 147a.

The court of appeals affirmed the Board’s analysis in full. Pet. App. 46a-57a. In particular, the court agreed that petitioner’s claims “are directed to the abstract idea of determining a price, using organizational and product group hierarchies, in the same way that the claims in *Alice* were directed to the abstract idea of intermediated settlement, and the claims in *Bilski* were directed to the abstract idea of risk hedging.” *Id.* at 52a. The court also agreed with the Board that, “after considering the limitations of each claim individually and as an ordered combination, none of the claims have sufficient additional limitations to transform the nature of any claim into a patent-eligible application of an abstract idea.” *Ibid.* To the extent there was any evidentiary dispute over the “well-understood, routine, conventional” nature of the claim limitations, the court emphasized, the Board had “specifically examined this issue and credited the testimony of [respondent’s] expert over [petitioner’s] expert.” *Id.* at 53a. The court concluded that the Board had “correctly applied” the test from *Alice* and *Mayo* and that its decision was “amply supported by the record before it.” *Id.* at 57a.

b. Petitioner identifies no appropriate basis for this Court’s review. Neither the Board nor the Federal Circuit broke any new ground in its articulation of the governing legal standards or in its analysis of the patent-eligibility of petitioner’s claims. Even if petitioner could identify some error in the Board’s routine application of law to fact, that would not warrant this Court’s review. See Sup. Ct. R. 10.

Petitioner contends (Pet. 25) that “[s]oftware is one of the main drivers of technological innovation in our economy,” and that courts need guidance about how to apply the abstract-idea exception to software-based inventions. According to petitioner, this case is “emblematic” (Pet. 27) of the problem because petitioner’s commercial software package represented a technological improvement over prior software products and was well-received in the marketplace. But the fact that petitioner engineered and marketed a commercially successful software package does not imply that a patent claim directed to the underlying *idea* was patent-eligible, just as the commercial success of the telegraph did not imply that Samuel Morse’s claim to any use of electromagnetism for writing was patent-eligible. See *O’Reilly v. Morse*, 56 U.S. (15 How.) 62, 119-120 (1854). Bernard Bilski’s method of hedging risk in energy markets might have been commercially successful too, but that would not have rendered his unpatentable claims any less abstract. See *Bilski v. Kappos*, 561 U.S. 593, 611-312 (2010). And it was the commercial value (and cost) of Prometheus Laboratories’ thiopurine-metabolites test that prompted the Mayo Clinic to make its own, see *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, 628 F.3d 1347, 1351 (Fed. Cir. 2010), rev’d, 132 S. Ct. 1289 (2012), but that did not allow the claims to be patentable under Section 101, see *Mayo*, 132 S. Ct. at 1302.

As the Board explained, “[t]he contention that the combination of the abstract idea and the specific steps represents an improvement in marketplace technology does not demonstrate that the additional steps are anything other than conventional, routine steps that are a consequence of implementing the abstract idea.”

Pet. App. 145a. Although petitioner contends (Pet. 28) that its patent did describe certain technological improvements, no such concrete limitations were actually recited in the *claims*, and the claims define the invention. Thus, the Board correctly concluded that “[t]he challenged claims are not commensurate with the alleged improvements. For example, while [petitioner] contends that its invention provides technological benefits for database tables and queries, its claims do not require the use of a database.” Pet. App. 146a n.21.

Petitioner had the opportunity in the post-grant review to conform the scope of its claims to the actual technology employed in its software package by submitting a motion to amend the challenged claims. See 35 U.S.C. 326(d). Petitioner chose not to invoke that opportunity, however, preferring to litigate the Section 101 question on the broad language of its claims as originally issued. Petitioner cannot now complain that the Board rendered its decision on those terms.

4. As required by 37 C.F.R. 42.300(b), the Board in initiating and conducting the transitional post-grant review proceeding gave the claims in petitioner’s unexpired patent their “broadest reasonable construction in light of the specification of the patent.” See Pet. App. 78a, 118a-130a. The court of appeals approved the Board’s use of that interpretive methodology. See *id.* at 41a. Petitioner contends that the Board instead should have used the “‘one correct construction’ standard.” Pet. 33; see Pet. 32-34. As petitioner observes (Pet. 32-33), this Court in *Cuozzo, supra*, is currently considering a similar challenge to the Board’s use of the same method of construction under a parallel regulation in the context of *inter partes* review. See 37 C.F.R. 42.100(b).

Both the court of appeals and the Board indicated that using the broadest-reasonable-construction standard made no difference to the outcome of this case. See Pet. App. 41a-42a (court of appeals noting that “it is less than clear that the outcome in this case would be different under a different claim construction regime,” because “the PTAB’s interpretation of the claims \* \* \* is correct” even under the rule of construction petitioner favors); *id.* at 136a (Board stating that the challenged claims are “unpatentable whether we adopt [petitioner’s] or [respondent’s] construction”). Nonetheless, because the court of appeals did not definitively state that the choice between competing interpretive standards was immaterial to its resolution of this case, it would be appropriate for the Court to hold the petition pending the decision in *Cuozzo* and then dispose of this question as appropriate.

#### CONCLUSION

With respect to the first, second, and third questions presented, the petition for a writ of certiorari should be denied. With respect to the fourth question presented, the petition should be held pending the decision in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (argued Apr. 25, 2016), and then disposed of as appropriate in light of that decision.

Respectfully submitted.

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