

No. _____

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

MARIO VILLENA AND JOSE VILLENA
Petitioners,

v.

ANDREI IANCU, DIRECTOR, UNITED STATES PATENT
AND TRADEMARK OFFICE,
Respondent.

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

Petition for Writ of Certiorari

Burman York Mathis, Esq.
Counsel for Petitioners
471 Riverside Dr.
Harpers Ferry, WV. 25425
(703) 901-1683
budmathis@yahoo.com

Questions Presented

The present case is directed to a rejection under Title 35 U.S.C. § 101 from the United States Patent and Trademark Office (USPTO) under the *Alice/Mayo* test.

In conducting this § 101 rejection, the present record shows that USPTO failed to address each and every limitation of the claims separately and as a whole, ordered combination as is required by the *Alice/Mayo* test.

The present record also shows that, during appeal before the Patent Trial and Appeal Board (PTAB), the PTAB cited new “evidence” on rehearing and then denied Petitioners an opportunity to address the ersatz nature of such “evidence.” Petitioners were unquestionably prejudiced.

The present record further shows that the USPTO failed to provide substantial evidence to support the proposition that a single claim limitation is well-understood, routine and conventional. In fact, it was the express holding of the PTAB that *five separate claim limitations* were not found or remotely suggested in any reference of record.

In view of the above issues, Petitioners ask the following questions:

Is the Administrative Procedure Act (APA) (Title 5 U.S.C. § 706) somehow nonrelevant under *Alice/Mayo*, or does the Federal Circuit’s refusal to address unlawful abuses by the USPTO when reviewing claim rejections under *Alice/Mayo* an abuse of discretion?

Is it remotely plausible under any non-capricious administration of the *Alice/Mayo* test that five separate claim limitations can be completely unknown and nonobvious under Titles 35 U.S.C. §§ 102/103, yet at the same time be well-understood, routine, and conventional individually and as an ordered combination under an *Alice/Mayo* § 101 analysis?

In addition, Petitioners ask the following question:

Does a requirement of “invention” and “improvement” under the *Alice/Mayo* framework violate the statutory language of Title 35 U.S.C. § 101, legislative intent, and the Supreme Court’s repeated edict of *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), *Bilski v. Kappos*, 561 U.S. 593 (2010), *Diamond v. Diehr*, 450 U.S. 175 (1981), *Parker v. Flook*, 437 U.S. 584 (1978), and *Gottschalk v. Benson*, 409 U.S. 63 (1972), that preemption, not invention or improvement, is the sole criteria for determining exceptions to patent eligibility?

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Petitions

Petitioners Mario Villena and Jose Villena respectfully submit this petition for writ of certiorari.

Parties

Petitioners are Mario Villena and Jose Villena of Miami, Florida. Respondent in this case is Commissioner Andrei Iancu of the USPTO.

Opinions Below

The opinion of the Court of Appeals for the Federal Circuit (Pet.App. 2a-7a) is listed as Appeal No. 17-2069. The opinions of the Patent Trial and Appeal Board (Pet.App. 8a-25a) are unreported.

Jurisdiction

The Court of Appeals for the Federal Circuit issued its decision on August 29, 2018. A combined petition for panel rehearing and rehearing *en banc* was denied on October 31, 2018. Pet.App. 31a-32a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Argument

I. Statement of the Case

This case is not about any mere mistake of law or mistake of fact made by the USPTO or the Federal Circuit. This case is about the present state of the law as promulgated by the lower courts. As this case demonstrates, the lower courts' handling of *Alice/Mayo* is incoherent, and the rules of patent eligibility have devolved as follows:

- Completely unknown and nonobvious things as evidenced under § 102 and § 103 of the Patent Act are nonetheless well-understood, routine, and conventional under § 101.
- There is no actual requirement to consider claim limitations as a whole, ordered combination. It is officially a fiction that may be ignored.
- Preemption has no place in the preemption concern that underlies the exceptions to patent-eligibility under § 101.
- The judiciary has *de facto* rewritten the statutory patent law into something unrecognizable.
- The Federal Circuit considers the APA nonrelevant when reviewing § 101 rejections from the USPTO.

II. Reasons to Grant Certiorari

Certiorari should be granted because the lower courts' *Alice/Mayo* jurisprudence has devolved into an incoherent set of contradictions.

This case provides a perfect mechanism to address every maladministration found in the lower courts and the USPTO because every mistake that the lower courts and USPTO typically make when performing the *Alice/Mayo* test was made.

However, certiorari should be granted *not* because the fact pattern in *Villena* is unique.

To the contrary, the only unique aspect about *Villena* is that it is the very first appeal from an ex parte PTAB decision under the *Alice/Mayo* doctrine that the Federal Circuit did not summarily rubber-stamp without comment under Rule 36. Indeed, one industry-related article remarking on the Federal Circuit's § 101 jurisprudence stated that “[t]he 2017 Federal Circuit operated more as a star-chamber-like apparatus, content with issuing decisions based on a whim and no explanation due.”¹

This case provides a first disturbing glimpse into how the USPTO has treated inventors in the past four years under the *Alice/Mayo* doctrine and how the USPTO will continue to treat inventors unless this Court takes long-overdue action.

There are thousands of patent applications with § 101 rejections presently before the PTAB of which

¹ <https://www.usptotalk.com/the-current-state-of-%C2%A7-101-examination-for-computer-related-inventions/>

84% (92%-97% for business methods) will be affirmed based upon nothing more than a capricious accusation.^{2,3} Well before these pending cases are decided, ten thousand additional § 101 appeals will be filed to the PTAB while another ten thousand patent applicants will give up in frustration and abandon the jewels of their ingenuity.

This lawless and capricious destruction of patent rights doesn't occur in a vacuum. It retards innovation. It creates uncertainty in business. It destroys small businesses that depend on intellectual property rights to protect their innovations against the corporate giants, and hurts those people who struggle to start and maintain small businesses.

For the few inventors with the financial wherewithal and tenacity who might opt to appeal to the Federal Circuit, statistics indicate that 100% of such decisions will be rubber-stamped by the Federal Circuit regardless of whether or not the USPTO complied with its legal obligations under the APA.

Thus, should this Court deny certiorari, tens of thousands of meritorious patent applications will be capriciously trashed by the USPTO before the next inventor dares to invest the time and money pleading for sanity at this Court.

² <https://www.lexology.com/library/detail.aspx?g=b5dcb8ae-3478-4e4b-b344-38258b910431>

³ Judge Plager reports an excess of 97% (90 of 92) affirmance for § 101 rejections under *Alice/Mayo* at the PTAB. *Interval Licensing, LLC. V. AOL, Inc.*, Appeal No. 16-2502, concurrence-in-part slip op. at p. 13.

The Supreme Court's decision to grant certiorari in *Alice Corp.* was warranted because the Federal Circuit had developed three separate and incompatible patent-eligibility tests, and thus a patent eligibility decision was naught but a function of the Federal Circuit panel selected to review a case.

Today there are *no* coherent or consistently-applied standards at the Federal Circuit. None! The divisions within the Federal Circuit under *Alice/Mayo* are so profound that the *Alice/Mayo* test has devolved into a cacophony of contradictions that cannot be resolved.

At the USPTO, patent-eligibility is whatever an examiner says it is, and chances are at best about one in six (a case of a die) that one of a small minority of Administrative Patent Judges (APJs) at the PTAB will reverse an examiner's capricious § 101 rejection.

To Present Counsel's best knowledge (based on a years-long review of PTAB decisions) the majority of APJs have never reversed a § 101 rejection under *Alice/Mayo*.

This Court needs to grant certiorari to turn the present malevolent hoax of a patent system into a tool that fairly and justly promotes innovation of the useful arts. As the Honorable Judge Plager of the Federal Circuit recently commented:

“There is almost universal criticism among commentators and academicians that the ‘abstract idea’ idea has created havoc in the patent law. The testimonials in the blogs and elsewhere to the current mess regarding our § 101 jurisprudence have been legion. There

has even been a call for abolishing § 101 by the former head of the Patent and Trademark Office.

.
. .

When the lawyers and judges bring to the Supreme Court a shared belief in the uselessness of the abstract notion of ‘abstract ideas’ as the criterion for patent eligibility, we can hope that the Court will respond sensibly.” *Interval Licensing*, conc. op. at pp. 11-12.

Judge Plager is sadly correct, and criticism of the Federal Circuit’s *Alice/Mayo* jurisprudence, including Petitioner’s case, is truly global.⁴ Grant this petition. The amicus briefs by academia and industry will be legion.

III. Description of the Disclosed Methods and Systems

The present application describes devices and methods capable of producing and quickly delivering large numbers of computer-derived estimates of residential properties known as “Automated Valuation Model” (“AVM”) estimates (or values).

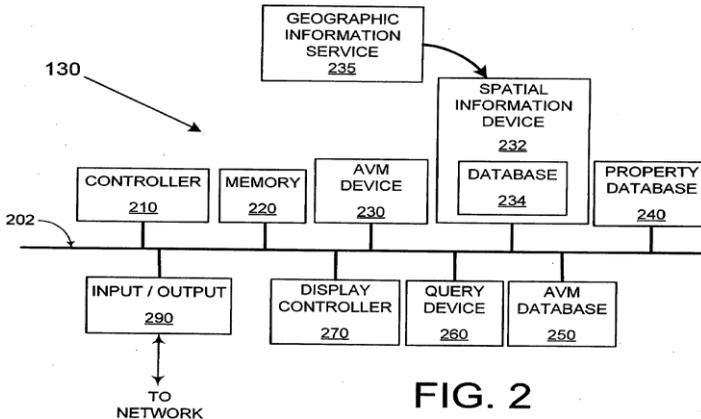
While Petitioners did not invent the concept of AVMs, prior to Petitioner’s reduction to practice of the disclosed methods and systems AVMs were a relatively recent and expensive oddity used only by a

⁴ See, e.g., <http://raza-associates.com/a-surrender-of-aggregate-obligation-by-the-government-circuit/>

very few large corporations, and were considered very unreliable. Pet.App. 94a-95a. While “known,” there is no evidence of record to suggest that providing AVM values was, at the time Petitioners realized the claimed methods and systems, a “fundamental economic practice long prevalent in our system of commerce.”

AVMs are not appraisals, and there is no evidence in the record to suggest that AVMs are but appraisals conducted by computers. To the contrary, there is record evidence to show that in 2010 (seven years after Petitioners realized a working AVM system) the real-estate industry considered AVMs a distinctly different, non-fungible thing than other forms of property valuation. Pet.App. 71a-73a. AVMs “should not be considered an alternative to an appraisal[.]” Pet.App. 75a.

Figure 2 of the present specification (Pet.App 168a) is provided below for convenience of discussion.



As shown above, a provider 130 includes a number of computer/electronic-based devices 210-290 including an AVM device 230 with various supporting databases 234 and 240 used to derive AVM values. Paragraphs [0031]-[0051] (Pet.App. 100a-103a) describe the operations and various embodiments of the provider 130. See also, paragraphs [0094]-[0096] (Pet.App. 121a-122a).

In operation, the provider 130 provides a number of AVM services. For example, using the disclosed devices and methods, it is possible to provide AVM values for every residential property in an entire state to any interested user. See, paragraph [0076] (Pet.App. 115a-1616a). Additionally, the provider 130 can repeatedly preprocess/update the AVM values before a single user ever makes a request for such data and assure that, regardless of when an AVM value is requested, the instantly available AVM value will reflect a current market estimate. Paragraphs [0085] (Pet.App. 118a) et seq.

Florida, the home state of Petitioners, is estimated to have about six-million privately-owned residential properties. Prior to Petitioners' inventions there was no available resource that could provide AVM values for each and every such property at any given minute in a year with an assurance that all six-million AVM estimates would reflect a current market estimate.

One form of output of the present methods and systems is the example map-like display below. (Pet.App. 128a)

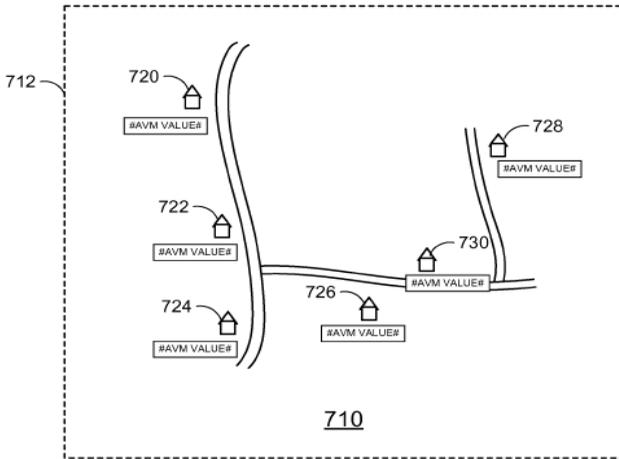


FIG. 7

One advantageous utility disclosed in the present specification (see paragraph [0046] (Pet.App. 106a)) is to overcome a problem that the Petitioners recognized in web environments. Specifically, by pre-processing AVM values, which are computationally-expensive determinations, on-line latency problems are resolved since the AVM values don't need to be calculated at the time of the request. The problem is complicated when a map requires, for example, 100 AVM values. Rendering such a map will take minutes without preprocessing and milliseconds with preprocessing.

This preprocessing approach is new and technically advantageous.

The importance of reducing on-line latency cannot be overstressed. By way of example, a study by Amazon revealed that every 100ms of on-line latency costs them 1% in sales. Similarly, Google discovered

that a 500ms latency caused a drop off of 20% of traffic.⁵

However, long before the corporate giants realized the corrosive effects of on-line latency, Petitioners Mario and Jose Villena had already considered and solved the latency problem for their particular needs.

IV. Procedural History

Following a final Office Action during prosecution at the USPTO, Villena filed an appeal brief to the PTAB contesting: (1) a rejection under 35 U.S.C. §102 (anticipation) for claims 58-59, (2) a rejection under 35 U.S.C. §103 (obviousness) for claims 57-59, (3) a rejection under 35 U.S.C. § 112, first paragraph, (lack of written description) for claims 57-59, and (4) a rejection under 35 U.S.C. § 112, second paragraph, (indefiniteness) for claims 57-59.

The Examiner, faced with a stunningly weak case on all issues, added a new grounds of rejection under 35 U.S.C. §101 in the Examiner's Answer. See Pet.App. 26a-30a.

In his terse § 101 rejection, the Examiner failed to cite a single iota of evidence that providing AVM values "is something that is a fundamental economic practice that has long been prevalent in our system of commerce." Pet.App. 26a-30a. The Examiner also failed to cite an iota of evidence that a single function performed by the present claims is well-understood, routine, and conventional. Pet.App. 26a-30a.

⁵ <https://blog.gigaspace.com/amazon-found-every-100ms-of-latency-cost-them-1-in-sales/>

Further, the Examiner never addressed all the claim limitations individually, and never addressed the claim limitations as a whole, ordered combination as is required by the *Alice/Mayo* test. Pet.App. 26a-30a.

These failures are not in dispute as is evidence by the Federal Circuit's Decision. Pet.App. 2a-7a.

These failures were never disputed by the PTAB, and never addressed by the Federal Circuit. The Examiner's failures are apparent on the face of the record and cannot be argued without deceptive intent.

Finally, it is without question that the Examiner never found that the present claims preempted anything, and his rejection is devoid of any such discussion.

On December 19, 2017, the PTAB issued its initial decision. See Pet.App. 14a et seq. In this decision, the PTAB reversed the § 112, § 102, and § 103 rejections stating, *inter alia*, that there was no evidence or even a remote suggestion of any previously known method or system that:

- (1) periodically updated an AVM value or an appraisal value (Pet.App. 22a),
- (2) determined an AVM value or appraisal without requiring a user query (Pet.App. 22a),
- (3) displayed AVM values on a map-like display (Pet.App. 24a),
- (4) automatically updated AVM values (Pet.App. 23a), and

(5) ever pre-processed a single AVM value before a user requested it. Pet.App. 24a-25a.

That is, *there are five separate nonobvious limitations* in representative claim 57 the PTAB expressly held *that never existed before Villena's application*.

Turning to the § 101 rejection the PTAB panel, in a most bizarre analysis, nonetheless held that every limitation of claim 57 was “routine and conventional” despite the fact that the same PTAB panel expressly acknowledged that five separate nonobvious limitations never preexisted claim 57. Pet.App. 17a-18a.

The PTAB also erroneously reported that the claims “do not result in any improvement to the functioning of a computer itself . . . or in another technology or technological field” despite the fact that the claims unquestionably reduce online latency by virtue of preprocessing AVM values before a user requests them. Pet.App. 19a-20a.

The PTAB's rejection, however, is based merely on the fact that the claims use a general-purpose computer and math. Pet.App. 19a-20a. Accordingly, the PTAB made the same decades-old mistake that the USPTO made in *Diamond v. Diehr* that this Court corrected.

It was particularly vexing that, as with the Examiner, the PTAB failed to address the claims as a whole, ordered combination in either step one or step two of the *Alice/Mayo* test – yet another mistake the USPTO made in *Diamond v. Diehr*.

The PTAB's failure to address all of the claim limitations as a whole, ordered combination is not in dispute.

Thus, the PTAB rubber-stamped the Examiner's § 101 rejection despite the Examiner's complete failure to comply with the most basic requirements of the *Alice/Mayo* test.

The PTAB also avoided Villena's preemption argument by citing *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371 (Fed. Cir. 2015) (see Pet.App. 19a), a highly criticized and bizarre case from the Federal Circuit that holds that any erroneous application of the *Alice/Mayo* test trumps reality when it comes to preemption. So what if a patent owner can make a clear and unarguable showing of lack of preemption? *Ariosa* declares that any application of the *Alice/Mayo* renders preemption moot, i.e., "cannot have any practical effect on the existing controversy."⁶ See *Ariosa*, 788 F.3d at 1379. Thus, the Federal Circuit succeeded in completely removing preemption from the *Alice/Mayo* test.

Accordingly, it is the position of the USPTO and Federal Circuit that ***preemption no longer applies to the concern of the preemptive effects of a given claim.***

Granting Villena's patent would not preempt a single previously-known AVM (or "property valuation") method or system as Villena's claims

⁶ See *Black's Law Dictionary*, Sixth Ed. (1990) at p. 1008

required five separate limitations never before used by any entity on Earth.

After the PTAB's decision, Villena filed a Request for Rehearing pointing out the many errors made by the PTAB. Unfortunately, in response to the arguments in Villena's Request for Rehearing, the PTAB's analysis became more bizarre to the point of violating Villena's due process.

For example, for the very first time, the PTAB cited a single sentence from Villena's specification to support a small portion of the § 101 rejection without acknowledging that the sentence was taken out of context. Pet.App. 13a. This "evidence" was never previously presented for Villena in a manner to give Villena an opportunity to respond. Villena was prejudiced – an issue that the Federal Circuit failed to address.

More peculiar, however, is an assertion by the PTAB that the present claims are less technical than the claims of *Trading Technologies, Inc. v. CQG, Inc.*, No. 2016-1616 (Fed. Cir. 2017). Pet.App. 11a. Not only is such a comparison without evidentiary basis and technically ignorant but, even if Petitioner had an opportunity to be heard on the issue (which the PTAB unlawfully denied), how does one even possibly respond to such an outlandish comparison between two totally different technologies? Petitioners were prejudiced.

Further, the PTAB imported "facts" from *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015). See Pet.App. 10a. Apparently, no one at the PTAB is aware that one

does not import issues of fact from other court decisions except when collateral estoppel applies.

Finally, for the second time the PTAB failed to address the claims as a whole – individually or as an ordered combination. This failure is demonstrated by the present record and the Federal Circuit does not dispute this fact.

No one at the USPTO could be bothered to address the claims as a whole, which is an issue the Federal Circuit failed to address.

After the rehearing decision Villena appealed to the Federal Circuit. Petitioner's opening brief can be found at Pet.App. 33a et seq. Five months after oral argument, the Federal Circuit produced the first written opinion for an *Alice/Mayo* rejection reviewing an ex parte appeal from the PTAB. Pet.App. 2a-7a.

No other ex parte § 101 opinion from the USPTO had ever survived a Rule 36 judgment.

Unfortunately, the full analysis granted to Villena (not counting the standard boilerplate) is but a mere four-hundred and forty-nine (449) words, and unfortunately ***the Federal Circuit's analysis fails to comply with the statutory requirements of the APA or even mention the APA.*** Specifically, the Federal Circuit failed to: (1) address the USPTO's failure to analyze each and every claim limitation individually, (2) address the USPTO's failure to analyze the claims as a whole, ordered combination, (3) address the USPTO's failure to cite substantial evidence, and (4) discuss the USPTO's prejudicial acts. Pet.App. 2a-7a.

Further, under step 2 of *Alice/Mayo* the Federal Circuit never addressed whether the claim

limitations are all well-understood, routine, and conventional as an ordered combination. Pet.App. 6a-7a. To the contrary, the Federal Circuit passed on the issue by focusing on whether or not the claims represent an “inventive concept.” Pet.App. 6a.

While the Federal Circuit did erroneously assert that they did not believe Villena’s claims provide any advantage (Pet.App. 9a), this is immaterial under the APA as to the legal error committed by the USPTO, which *never* considered the claims as a whole, ordered combination.

The Federal Circuit’s opinion is an abuse of discretion of its duties under the APA, and a distinct contradiction to the PTAB’s own admission that no entity ever preprocessed a single AVM value anywhere in the world before Villena’s application was filed – or even expressed such an idea on paper.

Villena’s subsequent petition for rehearing and rehearing *en banc* was denied without comment. Pet.App. 31a-32a.

V. The Instant Decision Fails to Comply with the Statutory Requirements of the APA

Proceedings of the Board are governed by the APA, Title 5, §§ 551 et seq. *Allentown Mack Sales & Serv., Inc. v. NLRB*, 522 U.S. 359, 374 (1998). Section 706 of the APA recites:

“To the extent necessary to decision and when presented, *the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the*

terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) *hold unlawful and set aside agency action, findings, and conclusions found to be—*

(A) *arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;*

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) *unsupported by substantial evidence* in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and *due account shall be taken of the rule of prejudicial error*” (emphasis added).

The “substantial evidence” requirement for USPTO findings of fact was solidified in *Dickinson v.*

Zurko, 527 U.S. 150 (1999), which stressed “the importance of not simply rubber-stamping agency fact-finding.” *Id.* at 162. “The APA requires meaningful review[.]” *Id.* “Congress has set forth the appropriate standard in the APA.” *Id.* at 165.

Under the APA, the Board is obligated not only to come to a sound decision, but to fully and particularly set out the bases upon which it reached that decision. *In re Sang-Su Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002). The USPTO “must set forth its findings and the grounds thereof, as supported by the agency record[.]” *Id.* “Judicial review of a Board denying an application for patent is thus founded on the obligation of the agency to make the necessary findings and provide an administrative record showing the evidence on which the findings are based[.]” *Id.* Factual inquiries “must be based on objective evidence of record.” *Id.* at 1343. “[R]eview of an administrative decision must be made on the grounds relied on by the agency.” *Id.* at 1345. “If those grounds are inadequate or improper, the court is powerless to affirm the administrative action by substituting what it considers to be a more adequate or proper basis.” *Id.* at 1345-46. The Federal Circuit’s review of a USPTO decision cannot amount to a repeal of a statute or other requirement recognized by law. Title 5, U.S.C. § 559.

A. Because the USPTO Failed to Address the Claims as a Whole, Ordered Combination, the Federal Circuit’s Affirmation of the § 101 Rejection Is an Abuse of Discretion.

The *Diamond v. Diehr* decision held that, in determining patent eligibility, “claims must be considered as a whole” *Diehr*, 450 U.S. at 188.

Mayo v. Prometheus later clarified that, not only must claims be considered as a whole, but that all claim limitations must be considered individually and “as an ordered combination.” *Mayo*, 566 U.S. at 79. *Alice Corp.* repeated this rule. *Alice*, 134 S. Ct. at 2350, 2351, 2355 and 2359.

Turning to the instant Decision, the USPTO failed to address all claims limitations individually and as a whole, ordered combination, which the Federal Circuit’s Decision ignores.

Representative claim 57 recites:

“57. A system for distributing real-estate related information, comprising:

one or more computers configured to:

receive user-provided information and determine a geographic region based on received user-provided information;

produce a plurality of automated valuation method (AVM) values using residential property information, the residential properties being within the geographic region, the AVM values reflecting current market estimates for the residential properties;

provide *display information to a remote terminal over a publically accessible network based on the user-provided information, the display information enabling the remote terminal to generate a map-like display for the geographic region, the map-like display containing at least:*

respective icons for each of a plurality of residential properties within the geographic

region, the icons being spatially distributed relative to one another based on geographic information also residing in one or more computer-readable mediums; and

an AVM value for at least one of the plurality of residential properties *within the map-like display, wherein each AVM value is preprocessed such that an AVM value for the at least one residential property pre-exists before a user query of the respective property is performed,*

and wherein the one or more computers update each of the AVM values without requiring a user query” (emphasis added).

The USPTO ignored *three-quarters* of claim 57, including the “**preprocess**” limitation. This is *proved* by the official record (Pet.App. 26a-30a), which shows that the Examiner failed to address all the limitations individually and as a whole, ordered combination.

A review of the Examiner’s analysis reveals that it is nothing more than an incomplete collection of absurd conclusions. That said, the Examiner’s ersatz analysis is the gold standard for *Alice/Mayo* rejections at the USPTO.

For this reason alone, the Federal Circuit was compelled by § 706 of the APA to set aside the USPTO’s decision.

B. The Lack of Substantial Evidence Violates the APA

As stated above, judicial review obligates the USPTO “to make the necessary findings and provide an administrative record showing the evidence on which the findings are based[.]” *Sang-Su Lee*, 277 F.3d at 1342. While the present rejection under scrutiny is under § 101, the substantial evidence problem that plagued *Sang-Su Lee* over sixteen years ago is the same problem that now plagues *Villena*.

The Decision below (Pet.App. 7a) asserts “[n]ot every § 101 determination contains genuine disputes regarding underlying facts material to the § 101 inquiry.” However, this case involves genuine disputes of fact – lots of them. The only issues of fact not contested are: (1) the claims perform new and useful processes, and (2) a computer is used for these new and useful processes.

The Solicitor will undoubtedly respond by merely repeating the Federal Circuit’s baseless assertions. However, what the Solicitor cannot do is show where the record supports the Federal Circuit’s erroneous factual assertions. Indeed, the Solicitor will tap-dance around the issue.

The Examiner’s rejection is six-hundred and fifty-three (653) words (not counting the boilerplate) of disorganized, legally-incorrect confusion that unquestionably fails to satisfy the requirements of the *Alice/Mayo* test. Pet.App. 26a.

This is what has become of the *Alice/Mayo* test at the USPTO. Why would any inventor or company ever bother patenting anything given this cruel hoax of a patent-eligibility standard?

1. *The Instant Decision Cites No Record Evidence to Support the Idea That Providing AVM Values Is a “Fundamental Economic Practice”*

The instant Decision (Pet.App. 5a) asserts that “[c]laim 57 merely recites the familiar concept of property valuation.”

First of all, the instant claims do not recite providing “property valuations.” The claims recite providing AVM values/estimates. See Pet.App. 28a (top). Thus, the Federal Circuit did not address the actual claim language that the Examiner relied upon.

Petitioners agree that “property valuation” in a general sense may be “familiar.” Forgetting that “familiar” isn’t the standard under *Alice/Mayo*, claim 57 is directed to a specific form of property valuation that preceded Petitioner’s patent application by a mere ten years. Pet.App. 94a. In addition, record evidence shows that AVMs and human property valuation are not the same thing and are not fungible. See, e.g., Pet.App. 71a-75a.

The Decision (Pet.App. 5a-9a) also states:

“As the Supreme Court explained in *Alice*, claims involving ‘a fundamental economic practice long prevalent in our system of commerce,’ . . . [it] follows that the claims at issue here are directed to an abstract idea. . . . Like the risk hedging in *Bilski* and the concept of intermediated settlement in *Alice*, the concept of property valuation, that is, determining a property’s market value, is ‘a

fundamental economic practice long prevalent in our system of commerce.’ Prospective sellers and buyers have long valued property and doing so is necessary to the functioning of the residential real estate market” (internal citations omitted).

Where is the evidence that prospective sellers and buyers have long valued property using AVMs – a specific type of property valuation that has no non-computer equivalent? Where is the evidence for such a factual assertion? It is not part of the record, and the instant Decision points to no place in the record for evidentiary support.

The Federal Circuit failed to address the evidence dispute.

To just assume, without evidence, that something is “a fundamental economic practice long prevalent in our system of commerce” *cannot* be maintained. For example, the Supreme Court never held that a specific economic activity was abstract without evidence. See, e.g., *Alice*, 134 S. Ct. at 2356 (citing evidence in the form of textbooks to demonstrate that the claims at issue were directed to “fundamental economic practice[s]”).

Petitioners respectfully submit that this Court must explain how each and every one of the eight-hundred and seventy Article III judges may assume a mantle of omniscience and simply divine that a particular economic practice is “fundamental” and “long prevalent in our system of commerce” without evidence.

Judges are presumed experts in *nothing* outside the law.

Examiners are presumed experts in nothing – or even presumed to have the knowledge of one or ordinary skill in the relevant arts they examine. *Sang-Su Lee*, 277 F.3d at 1345.

Objective evidence on the record is fundamental to addressing assertions of fact, and under the Federal Circuit *Alice/Mayo* has become a meaningless exercise based on judicial whim postulated in an evidentiary vacuum.

2. The Instant Decision Made No Finding That the Ordered Combination of Claim Limitations Constitute Well-Understood, Routine, and Conventional Activities, and Cited No Record Evidence to Support Such a Holding

Just as an initial issue, there is nothing in the Federal Circuit’s step 2 *Alice/Mayo* analysis (Pet.App. 6a-7a) that addresses whether the limitations of the present claims constitute well-understood, routine, and conventional activity when considered as a whole, ordered combination. As this was an issue presented to the Federal Circuit, the Federal Circuit’s failure constitutes an abuse of discretion under the APA.

As to any piecemeal factual assertions made by the Federal Circuit, there is no supporting evidence.

The Federal Circuit’s *Berkheimer* decision, which came out shortly before the present decision, requires that there be evidence to support a finding that “additional limitations” are well-understood, routine, and conventional. *Berkheimer v. HP, Inc.*, Appeal No. 17-1437, slip op. at p. 12 (Fed. Cir. 2018).

The USPTO never addressed the claims as a whole, ordered combination. This is not honestly disputable, and Petitioners challenge the USPTO to show where the USPTO did so. The USPTO could not possibly “set forth its findings and the grounds thereof, as supported by the agency record[.]” *Sang-Su Lee*, 277 F.3d at 1342.

The Decision unlawfully fails to discuss the lack of necessary to support the USPTO’s fact-based conclusions – an issue timely raised by Petitioners.

For example, the instant Decision states “*the pre-processing limitations* are directed to using a computer to perform *routine computer activity*” (emphasis added), Petitioners observe: (1) the Decision cites no evidence for this limitation, (2) the PTAB never asserted this or cited supporting evidence (Pet.App. 19a-25a), and (3) the Examiner never addressed the preprocessing limitation in his § 101 rejection as is required under *Alice Corp.* and the APA. Pet.App. 26a-30a.

Where could the Federal Circuit find evidence for a factual assertion when the USPTO expressly stated that it found none?

Where could the Federal Circuit find evidence to support an issue the USPTO never addressed?

If all the claim limitations as an ordered combination were well-understood, routine, and conventional, the PTAB would have affirmed the Examiner’s rejections under § 102 or § 103.

That didn’t happen. In fact, quite the opposite happened.

It does not matter, however, whether or not the USPTO is correct in that something can be completely unknown under § 102 / § 103 and yet be well-understood, routine, and conventional under § 101. Under the statutory requirement of the APA, this Court need only recognize that the Federal Circuit refused to address the failures of the USPTO to analyze the claims as a whole, ordered combination and/or to cite evidence in the record to support its factual findings.

C. The PTAB Prejudiced Petitioners

Once confronted with the substantial evidence requirement of the APA, one would normally expect an appellate body to reconsider its inexcusable errors. Unfortunately, the PTAB doubled down to cover for its oversights, and responded by stating (Pet.App. 9a-10a):

“In our Decision, we relied on the intrinsic evidence of the patent, and in particular on the express limitations of the claims. Decision (“Whether the Examiner has provided evidence in support of the proposition that providing property values is a way of organizing human activity or a long-prevalent economic practice, it is evident from the claim language itself that the ‘automated’ valuation is based on mathematical algorithms.”). In addition, we relied on established case law for the understanding that property valuation is a fundamental economic principle and is therefore not patentable subject matter. Decision 5-6 (citing *Versata Development*

Group, Inc. v. SAP America, Inc., 793 F.3d 1306, 1333-34 (Fed. Cir. 2015).”

As an initial issue, there is no human activity required by any of the instant claims. Apparently, no one at the USPTO reads the claims they reject.

As a second issue, *this statement is an admission that the Examiner provided no evidence that the claims are “a long-prevalent economic practice.”*

As a third issue, the Examiner never stated that providing “property values” is a long-prevalent economic practice. To the contrary, the Examiner asserted that providing AVMs (not “property values”) “is something that is a fundamental economic practice.” Pet.App. 27-28a.

As to the use of the word “automated,” this is far more absurd. By the USPTO’s logic all claims directed to “automatic” transmissions must be patent-ineligible. Regardless, Petitioners were given no opportunity to respond to this absurd assertion by the PTAB, and therefore were prejudiced.

The PTAB also improperly imported a fact-based conclusion from a case (*Versata*) that Petitioners had no part in. Importing “facts” from other litigations unrelated in any way to Petitioners is legal error that prejudices Petitioners as Petitioners had no opportunity to be heard in *Versata*.

Unfortunately, the Federal Circuit failed to address any of this prejudicial behavior.

D. The Claims Pose No Risk of Preemption

The Supreme Court made clear that the preemption concern is the basis for the creation of

the exceptions to statutory patent eligibility. *Alice*, 134 S. Ct. at 2354–55.

Without delving into the last two centuries of patent law it is clear that preemption and preemption alone *was* considered the sole concern for exceptions to patent eligibility.

However, this case demonstrates that the lower courts have unquestionably abrogated the preemption doctrine. It is officially a moot concern. under *Ariosa Diagnostics*.

The present claims pose no risk of preemption, and the Examiner made no assertion that the present claims pose a risk of preemption. Pet.App. 26a-30a. Further, the Federal Circuit failed to address the preemption issue despite the fact that Petitioners timely raised the issue.

While the Decision below (Pet.App. 6a) asserts that the claims provide no “inventive concept,” this term is meaningless. The Federal Circuit cannot even define “invention” or “inventive concept.”

Nor has the Federal Circuit ever tried.

“Invention” and “Inventive concept” have devolved into an indiscriminate judicial flame thrower used to torch any patent that doesn’t suitably impress a particular judge.

Assuming that a claim is directed to more than an ideal of itself, “something more” isn’t “invention” unless “invention” means lack of preemption, which § 103 addresses for all well-understood, routine, and conventional *man-made things*.

While § 101 and § 103 serve different purposes, treating “something more” under § 101 more

onerously than obviousness under § 103 *de facto* writes out § 102, § 103, and half of § 100(b). The statutory patent laws, congressional intent, and *Alice Corp.*'s command to narrowly construe the exclusionary principle (*Alice Corp.*, 573 S. Ct. at 2354) all demand that “invention” under § 101 be less burdensome than obviousness under § 103.

Petitioners are aware that the courts seek a tool to quickly dispose of unworthy patent suits, and § 101 may be appropriate in certain circumstances. However, when a claim does not merely recite an abstract idea and contains detailed limitations that are not *inherently necessary* to practice the abstract idea, *Alice/Mayo* is inappropriate. In these circumstances, Title 35 U.S.C. § 103 is the appropriate tool, and the well-developed nonobviousness standard (which may rely on a mere suggestion found in a single disclosure and/or common sense) under § 103 as promulgated in *KSR v. Teleflex*, 550 U.S. 398 (2007) is far less burdensome to the courts than the “well-understood, routine, and conventional” standard of *Alice Corp.*

Further, the “well-understood, routine, and conventional” standard is inappropriate to address preemption under § 101. Petitioners assert that a proper standard to address preemption (if any) is whether additional claim limitations as a whole, ordered combination are *inherently necessary* to practice an abstract idea.

VI. This Court Must Disavow “Invention” as a Prerequisite to Patent Eligibility

A. The Statutory Regime Enacted by Congress Is the Sole Legal Authority for Determining the Requirements of Patent Eligibility

Article I, Section 8, of the United States Constitution states “*Congress* shall have power . . . to promote the progress of science and useful arts” (emphasis added).

To this end, *Congress* enacted the 1952 Patent Act.

Three significant changes made to the patent laws by the 1952 Patent Act were: (1) to codify the holding of *Hotchkiss v. Greenwood*, 11 How. 250 (1850), so as to define patentability in terms of nonobviousness under 35 U.S.C. § 103 (*Graham v. John Deere Co.*, 383 U.S. 1, 2 (1966)); (2) to remove “invention” as a prerequisite to patentability (*Id.*); and (3) to replace the word “act” under then 35 U.S.C. § 31 with “process” under § 101 while defining the word “process” in § 100(b).

Section 101 states: “Whoever invents or discovers any new and useful *process*, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . .” (emphasis added).

Relevant to the word “process,” Congress defined the word in § 100(b) as follows: “The term ‘process’ means process art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.”

B. Statutory Construction Requires That This Court Reject “Invention” and “Improvement” as Requirements for Patent-Eligibility

While it is fully within the courts’ powers to interpret statutes, it is *not* within the courts’ powers to de facto rewrite a single word of the statutory patent laws, or to replace congressional intent with biases that the courts feel better suited to patent law. That is, it is *not* within the constitutional powers of the courts to place a single additional burden on patentability that Congress did not sanction by its statutory scheme.

As to the meaning of individual words, “[s]tatutory definitions control the meaning of statutory words.” *Lawson v. Suwannee Fruit & S. S. Co.*, 336 U.S. 198, 201 (1949). See also *Stenberg v. Carhart*, 530 US. 914, 942 (2000) (“When a statute includes an explicit definition, we must follow that definition[.]”). As to the meaning of individual words that are not defined by statute, this Court declared that such “words will be interpreted as taking their ordinary, contemporary, common meaning.” *Bilski*, 561 U.S. at p. 594; *Diehr*, 450 U.S. at p. 182.

Using these principles of claim construction, the Supreme Court correctly held that there is no “ordinary, contemporary, common meaning of ‘process’ that would require [a process] to be tied to a machine or the transformation of an article.” *Bilski*, 561 U.S. at p. 594.

Just as evident from the statutory language of § 100(b) and § 101, it is facially apparent that there is no ordinary, contemporary, common meaning of

‘process’ that requires a process to be tied to “invention” or an “inventive concept.”

Unfortunately, the Federal Circuit erroneously interprets “inventive concept” as requiring some form of improvement as is evidenced in this case and many others. See, e.g., *McRo, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016) (“We therefore look to whether the claims in these patents focus on a specific means or method that improves the relevant technology[.]”); *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016) (“Therefore, we find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea[.]”).

Thus, it is the Federal Circuit’s belief that a claim must provide not just an improvement, but an inventive concept sort of improvement, or the claim is abstract. However, this is a *de facto* rewrite of § 101 from its present state:

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . .” – 35 U.S.C. § 101,

to:

“Whoever invents or discovers any new and useful improvement of a process, machine, manufacture, or composition of matter that incorporates an inventive concept may obtain a patent therefor . . .” – Federal Circuit 101.

The courts often quote § 101, but apparently never read it. The courts ought to read § 101. There's a lot of good law there. The courts are not entitled to take the simple and clear text of § 101 and remove half its language while adding new requirements. Such amounts to an unconstitutional corruption of the statutory text.

As was recently observed by this Court in *Henry Schein, Inc. v. Archer and White Sales, Inc.*, No. 17-1272, 586 U.S. ____, slip. op. at. pp. 4, 8 (2019), it is improper for the courts to embed “wholly groundless” exceptions inconsistent with statutory language and this Court’s precedent based on policy considerations – even on “gateway” questions. “[W]e may not rewrite the statute simply to accommodate that policy concern.” *Id.* at p. 8. While preemption may or may not be a valid policy concern to the exceptions to § 101, “invention” and certainly “improvement” are not valid policy concerns.

The judicial activism on patent eligibility is in stark contrast to *Schein* and has not gone unnoticed. As was recently stated by Sherry Knowles, former Vice President and Chief Patent Counsel for GlaxoSmithKline, “When anything gets as messed up as patent eligibility is in the United States the best thing to do is to go back to the basics The basics in this case is the U.S. Constitution, which grants Congress the *sole right* to promote the progress of science” (emphasis added).⁷ See also, Knowles and Prosser, Ph.D, *Unconstitutional Application of 35*

⁷ <http://www.ipwatchdog.com/2019/01/16/sherry-knowles-scrutinizes-activist-supreme-court-unconstitutional-patent-eligibility/id=105228/>

U.S.C. §101 by the U.S. Supreme Court, 18 J. Marshall Rev. Intell. Prop. L. 999 (2018).

C. Congressional Intent Requires That This Court Reject “Invention” as a Requirement for Patent-Eligibility

The 1952 Patent Act was enacted in response to the Supreme Court’s anti-patent sentiment prominent in the 1940s. This anti-patent sentiment was reported by Karl Lutz (*The New 1952 Patent Statute*, 35:3 Journal of the Patent Office Society, 155, 156-7 (1953)), who stated the 1952 Patent Act was enacted to remove “the recent apostasy” of the Supreme Court “from the benevolent policy of the Constitution.” Indeed, the “apostasy” was so harsh that Justice Jackson criticized the Supreme Court’s “strong passion” for striking patents down “so that the only patent that is valid is one which this Court has not been able to get its hands on.” *Jungersen v. Ostby & Barton Co.*, 335 U. S. 560, 572 (1949).

Accordingly, Congress codified the patent laws to address this malady in the 1952 Patent Act. See *Efforts to Establish a Statutory Standard of Invention: Study of the Subcommittee of Patents, Trademarks, and Copyrights of the Committee on the Judiciary*, United States Senate; Eighty-fifth Congress, First Session Pursuant to Senate Resolution 55, Study No. 7 (published 1958) (hereinafter “the 1958 Study”).

As stated on page 2 of the 1958 Study, Charles Kettering, who headed the National Patent Planning Commission, remarked that “[o]ne of the greatest

technical weaknesses of the patent system . . . is the lack of a definitive yardstick as to what is invention.”

On page 4 of the 1958 Study, the legendary Honorable Giles Rich remarked about the difficulty of overcoming the idea of invention concluding “[s]o long as invention is there they can say it isn’t good enough to be an invention.” Judge Rich’s words are especially relevant today. Assuming that something is new, useful, falls within the subject matter of § 101 and doesn’t preempt an abstract idea, what standard constitutes “good enough to be an invention?” The four-hundred and fifty-three words of the instant Decision, or any other decision ever issued by the Federal Circuit, does not say. Invention is an elusive goalpost that changes with every Federal Circuit decision.

As Judge Rich further noted in *The Principles of Patentability* (17:2 Journal of the Patent Office Society, 75, 87-8 (1960)):

“It has generally been stated to be the law that, in addition to being new and useful, an invention, to be patentable, must involve ‘invention.’

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[There are] various meaningless phrases which have been used to express this essential mystery-something akin to a religious belief[.]

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In the final analysis . . . [the] requirement for ‘invention’ was the plaything of the judges who, as they became initiated into its mysteries, delighted to devise and expound their own ideas of what it meant, some very lovely prose resulting” (internal citations omitted).

Judge Rich’s biting commentary on the word “invention” is the fruit of the same frustration every patent attorney feels today. See also, Rich, Giles, *The Vague Concept of “Invention” as Replaced by Section 103 of the 1952 Patent Act*, 46:12 *Journal of the Patent Office Society*, 855 (1964)).

Thus, at the behest of Congress the two primary authors of the 1952 Patent Act, Giles Rich and “Pat” Federico, replaced “invention” with nonobviousness and, according to Judge Rich, Congress intentionally replaced the phrase “lack of invention” in the patent law with “nonobvious subject matter.” See Rich, Giles, *Laying the Ghost of the “Invention” Requirement*, 1:1 *APLA Quarterly Journal*, pp. 26-45 (1972) (reprinted with permission in *Nonobviousness – The Ultimate Condition of Patentability* at pp. 1:506 et seq.). To this end Judge Rich expressly stated:

“The first policy decision underlying Section 103 was to cut loose altogether from the century-old term ‘invention.’ It really was a term impossible to define, so we knew that any effort to define it would come to naught. Moreover, it was felt that so long as the term continued in use, the courts would annex to its

accretion of past interpretations, a feeling history has shown to be well-founded. . . . So Section 103 speaks of a condition of *patentability* instead of ‘invention.’ . . . As compared to finding or not finding ‘invention,’ Section 103 was a whole new way of thinking and a clear *directive* to the courts to think that way” (emphasis in original). *Nonobviousness – The Ultimate Condition of Patentability* at p. 1:508.

Judge Rich’s words were echoed in *Graham v. John Deere*, where this Court recognized that “[t]he truth is, the word [‘invention’] cannot be defined in such manner as to afford any substantial aid in determining whether a particular device involves an exercise of the inventive faculty.” *Graham*, 383 U.S. at 11 (Quoting *McClain v. Ortmyer*, 141 U.S. 419 (1891)). “Its use as a label brought about a large variety of opinions as to its meaning both in the Patent Office, in the courts, and at the bar. The *Hotchkiss* formulation, however, lies not in any label[.]” *Graham*, 383 U.S. at 12. “Congress used the phrase ‘Conditions for patentability; *non-obvious subject matter*’ (italics added), thus focusing upon ‘nonobviousness,’ rather than ‘invention.’” *Id.* at 14. “Congress has emphasized ‘nonobviousness’ as the operative test of the section, rather than the less definite ‘invention’ language of *Hotchkiss*[.]” *Id.* “We believe that strict observance of the requirements laid down here will result in the uniformity which Congress called for in the 1952 Act.” *Id.* at 18.

This last declaration of the Supreme Court from 1966 is worth repeating: “*We believe that strict observance of the requirements laid down here will*

result in the uniformity which Congress called for in the 1952 Act' (emphasis added).

Thus, this Court cannot now stand by a meaningless standard that originated in 1851, was declared useless by this Court in 1891 in the *McClain* decision, rejected by Congress in the 1952 Patent Act, and disavowed by this Court in 1966 in the *Graham* decision.

In the last four years the Federal Circuit has *never* reversed a § 101 rejection from the USPTO.

Not once!

Under the standard of “invention,” the USPTO and Federal Circuit together perfected the apostasy that Justice Jackson criticized nearly seventy years ago in *Jungersen* that the 1952 Patent Act was enacted to cure.

VII. Section 103 of the Patent Act is the Appropriate Vehicle for Addressing the Validity of Claims Covering Man-Made Activities and Things

While § 101 and § 103 serve different purposes, treating “something more” under § 101 more onerously than obviousness under § 103 *de facto* writes out § 102 and § 103. Petitioners state without hesitation that, for a claim reciting something more than an idea unto itself, there is nothing under *Alice/Mayo* that is not better addressed using nonobviousness under § 103.

Take, for example, *Mayo v. Prometheus*. Under *KSR Int'l Co. v. Teleflex* it is purely obvious as an issue of common sense to administer any medicinal

drug within a range that produces beneficial results but doesn't kill.

Similarly, *Alice Corp.* should have been decided using § 103 under the theory that merely automating a known or obvious process is obvious.

The *Bilski* decision was necessary to address the Federal Circuit's erroneous Machine-or-Transformation test. However, once this Court held that the *Bilski* claims constituted a process under § 100(b), the claims should have then been addressed under § 103 for want of nonobviousness under *KSR*.

There's not a single advantage to using § 101 for a purpose that § 103 was designed to address.

VIII. The Federal Circuit Has Made a Mess of the Abstract Idea Test

It is not Petitioners' intent to malign the Federal Circuit or any other court. However, Present Counsel cannot appropriately frame the absolute mess that is the Federal Circuit's "abstract idea" framework or other maladministration under *Alice/Mayo* without casting unintended shadows. With this in mind, there is a significant portion of the Federal Circuit that agrees with Petitioners as is shown by Judge Plager's comments in *Interval Licensing*.

Petitioners cannot claim with certainty that the "abstract idea" framework is unworkable as Judge Plager states in his *Interval Licensing* concurrence-in-part / dissent-in-part. Petitioners do know that the abstract idea framework as practiced by the Federal Circuit is unworkable. Why? Because, as

this case demonstrates (at least in part), the Federal Circuit ignores any claim limitations it wants to, ignores any evidence on the record (or lack thereof) it chooses, ignores any legal standard it wants to, ignores violations of prejudice / due process, and substitutes whimsical assertions for evidence.

IX. Conclusion

Under the Federal Circuit's handling of *Alice/Mayo*, the courts have *de facto* and *de jure* rewritten § 101 to an unrecognizable form that gives judges and patent examiners absolute authority to ignore the statutory patent-eligibility standard enacted by Congress. Further, the requirement to address claim limitations as a whole, ordered combination under *Alice/Mayo* is officially a fiction. Still further, the Federal Circuit considers the Administrative Procedure Act nonrelevant when reviewing *Alice/Mayo* rejections from the USPTO.

Certiorari is necessary to address the insanity that has swallowed the statutory standard of patent-eligibility.

/s/ Burman Y. Mathis
Burman Y. Mathis

Attorney for Petitioners