

No. 17-

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IN THE  
**Supreme Court of the United States**

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INTEGRATED TECHNOLOGICAL SYSTEMS, INC.,

*Petitioner,*

*v.*

FIRST INTERNET BANK OF INDIANA,

*Respondent.*

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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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**PETITION FOR A WRIT OF CERTIORARI**

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## **QUESTIONS PRESENTED**

The questions presented are:

1. Does 35 U.S.C. § 282 allow for challenges to a patent's validity based on patent eligibility under 35 U.S.C. § 101?
2. In addition, and in close alignment with the first question, is it proper to find patents invalid under 35 U.S.C. § 101 after full examination before the U.S. Patent and Trademark Office in response to 12(b)(6) challenges when they are presumed valid under 35 U.S.C. § 282?
3. Is it proper to grant a Rule 12(b)(6) motion to dismiss when the record contains un rebutted factual evidence that the invention is patent-eligible under § 101?

**RULE 29.6 STATEMENT**

Integrated Technological Systems, Inc. has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

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## **PETITION FOR A WRIT OF CERTIORARI**

Integrated Technological System, Inc. (“ITS”) respectfully petitions for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the Federal Circuit.

### **OPINIONS BELOW**

The Federal Circuit’s decision is unreported but available at 712 F. App’x 1007 (Fed. Cir. 2018). Appx1a-2a. The panel opinion affirmed without opinion, under Federal Circuit Rule 36, a decision issued by the United States District Court for the Eastern District of Texas, which is unreported but available at 2017 WL 617673. Appx3a-12a.

### **JURISDICTION**

This Court’s jurisdiction is timely invoked under 28 U.S.C. § 1254(1).

### **RELEVANT STATUTORY PROVISIONS**

35 U.S.C. § 101 provides:

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, subject to the conditions and requirements of this title.

35 U.S.C. § 282 provides in relevant part:

(a) In General.--A patent shall be presumed valid. Each claim of a patent (whether in

independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

(b) Defenses.--The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability.

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

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

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

(B) any requirement of section 251.

(4) Any other fact or act made a defense by this title.

## PRELIMINARY STATEMENT

The Federal Circuit’s affirmance of the District Court’s decision with a Federal Circuit Rule 36 opinion—without any analysis—creates uncertainty in the patent landscape because it provides no guidance as to what should be included in a complaint for patent infringement. The District Court dismissed this case under a Rule 12(b)(6) motion to dismiss despite unrebutted declarant testimony provided by ITS that showed that the patent claims satisfied § 101, or in the alternative, provided adequate support to show that the claims presented a plausible factual basis to survive a motion to dismiss.

In addition, but in conjunction with such testimony, § 282 provides for a presumption of validity to patents that should be sufficient to defeat challenges to the pleadings since the movant bears the burden of showing that the claims in the pleadings are insufficient. Moreover, though such challenges might be capable of resulting in the claim itself being dismissed, this should not result in the invalidation of patents without adequate fact-finding and resolution because they are presumed valid.

Motions to dismiss under Rule 12(b)(6) that rely on § 101 are further inappropriate because § 282(b) provides a strictly limited list of defenses to patent infringement. *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 137 S. Ct. 954, 961-67 (2017). Available defenses to patent infringement are specifically articulated and limited to those in 35 U.S.C. § 282(b) and further defenses cannot be incorporated from other portions of the Patent Act by inference. *Id.* Had Congress intended for challenges to eligibility under 35 U.S.C. § 101 to be

available as a defense to patent infringement, it would have included it in § 282(b), and there is no justification as to why it could be included in those defenses that “shall be included” therein. *See id.*

Those defenses are limited to certain statutory provisions in the Patent Act, and this does not include eligibility under § 101. *Id.* Section 101 may serve as a threshold test, but that test should be applied narrowly lest it eviscerate all of patent law. *Mayo Collaborative Servs. v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012); *Alice Corporation Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014). Congress intended for subject matter eligibility of patents under § 101 to be broad. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980). Because of this, patents’ presumed validity under § 282, and the inapplicability of § 101 as a defense to patent infringement, this Court should grant this petition to review these issues.

## STATEMENT OF THE CASE

### I. STATUTORY BACKGROUND

Title 35 U.S.C. § 101 provides for the issuance of a patent to “[w]hoever invents or discovers any new and useful process, machine manufacture or composition of matter or any new and useful improvement thereof.” In choosing such expansive terms as process, machine, manufacture and composition of matter, modified by the comprehensive “any,” Congress contemplated that the patent laws should be given wide scope, and the relevant legislative history also supports a broad construction. While laws of nature, physical phenomena, and abstract ideas are not patentable, this exception is of narrow scope.

In cases of statutory construction, a court begins with the language of the statute. *Southeastern Community College v. Davis*, 442 U. S. 397, 405 (1979). “[U]nless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.” *Perrin v. United States*, 444 U. S. 37, 42 (1979). The Supreme Court has also cautioned that courts “should not read into the patent laws limitations and conditions which the legislature has not expressed.” *Chakrabarty*, 447 U.S. at 308 (citing *United States v. Dubilier Condenser Corp.*, 289 U. S. 178, 289 U. S. 199 (1933)).

According to this Court, the relevant legislative history of the Patent Act also supports a broad construction:

The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as “any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof].” Act of Feb. 21, 1793, § 1, 1 Stat. 319. The Act embodied Jefferson’s philosophy that “ingenuity should receive a liberal encouragement.” [citing 5 Writings of Thomas Jefferson 75-76 (Washington ed. 1871) and *Graham v. John Deere Co.*, 383 U. S. 1, 383 U. S. 7-10 (1966)].

*Id.* According to this Court:

Subsequent patent statutes in 1836, 1870, and 1874 employed this same broad language. In 1952, when the patent laws were recodified, Congress replaced the word “art” with “process,” but otherwise left Jefferson’s



language intact. The Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to “include anything under the sun that is made by man.” S Rep. No 1979, 82d Cong., 2d Sess., 5 (1952); H.R.Rep. No. 1979, 82d Cong., 2d Sess., 6 (1952).

*Id.* This Court went on to say:

It is, of course, correct that Congress, not the courts, must define the limits of patentability; but it is equally true that, once Congress has spoken, it is “the province and duty of the judicial department to say what the law is.” *Marbury v. Madison*, 1 Cranch 137, 5 U. S. 177 (1803). Congress has performed its constitutional role in defining patentable subject matter in § 101; we perform ours in construing the language Congress has employed. In so doing, our obligation is to take statutes as we find them, guided, if ambiguity appears, by the legislative history and statutory purpose. Here, we perceive no ambiguity. The subject matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting “the Progress of Science and the useful Arts” with all that means for the social and economic benefits envisioned by Jefferson. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.

*Id.* at 314.

Statutes are not to be confined to the particular applications contemplated by the legislators and that is especially true in the field of patent law. In addressing the question of arguments regarding eligible subject matter that was not specifically addressed by the statute, the Court went on to say:

What is more important is that we are without competence to entertain these arguments -- either to brush them aside as fantasies generated by fear of the unknown or to act on them. The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and study that legislative bodies can provide and courts cannot. That process involves the balancing of competing values and interests, which, in our democratic system, is the business of elected representatives.

*Id.* at 317. Just as this Court did not wish to embrace elements that were not specifically set forth in the Patent Act, District Courts and the Federal Circuit should avoid broadening the narrow field of exceptions to eligible patentable subject matter without a “clear and convincing” edict from the Supreme Court. Thus “[o]ur individual appraisal of the wisdom or unwisdom of a particular course . . . is to be put aside in the process of interpreting a statute” as well as somewhat ambiguous case law. *Tennessee Valley Auth. v. Hill*, 437 U.S. 153, 194 (1978).

Thus, neither Congress nor the Supreme Court wanted to hobble research and development in the field

of financial transaction technology for any uses. It seems unlikely that Congress or the Supreme Court would limit commercial value of these products and force this technology to restrict its vision. Patents are for a limited time and designed to reward inventors and researchers for their discoveries. An overbroad interpretation of dicta from recent Supreme Court cases does not satisfy the intended breadth of Article 1, section 8, clause 8 of the Constitution.

Section 282 requires a presumption of validity and specifically lists the defenses that may be raised in response to claims of patent infringement. Section 282(b)(2) and (3) enumerates, in general, that a patent can be invalidated “on any ground specified in part II as a condition for patentability” or for failure to comply with “any requirement of section 112” or “section 251.” Only two sections of part II are labelled as a “condition for patentability”: §§ 102 and 103, which relate to novelty and obviousness, respectively. None of those defenses, however, list subject-matter ineligibility under § 101. When enumerating the defenses, the plain language of § 282(b) categorically excludes any reference to patent-eligibility and proper statutory construction eliminates subject-matter eligibility challenges as a defense to infringement. Indeed, this comports with this Court’s holding that § 101 is “only a threshold test” during patent prosecution at the agency and that, once satisfied, it allows for the patent applicant “to receive the Patent Act’s protection.” *Bilski v. Kappos*, 561 U.S. 593, 602 (2010). *Bilski* thus makes it clear that the § 101 threshold test is for determining eligibility during examination at the U.S. Patent and Trademark Office, and its omission from § 282 clarifies that that subject-matter eligibility is not a defense

to patent infringement. Moreover, once the invention is patented, the law requires the presumption of validity to attach. *See* 35 USC § 282; *see also Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011).

## II. PROCEEDINGS BELOW

### A. The Invention

The inventions were filed in patent applications in 2000—well before much of the internet-centric technology we are familiar with today—and claim certain limited solutions to virtual fund transfers and solve problems associated with instantaneous, or nearly instantaneous, virtual fund transfers which were not possible before the ITS technology. One of the inventors, Michael Battaglini (“Battaglini”), had been the president of a savings and loan banking institution. In that capacity, he became knowledgeable about specific weaknesses in bank systems for transfers of funds from deposit accounts to other accounts, such as a separate account holder’s automated teller machine (“ATM”) account. Battaglini identified inadequacies with the computer systems used for transferring funds, especially person-to-person transfer protocols, and sought to improve these computer systems. The inventor also recognized the long-felt need for a more efficient system to perform person-to-person transfers. These digital transfers were specific to one part of the virtual fund transfer industry and presented particular problems not present with other types of fund transfers.

Another inventor of the patents had approximately 30 years of experience in the computer industry, including organizations such as Compaq Computer Corporation.

Using their collective experience in digital transfers, computer equipment, and processes using such equipment, the three named inventors identified a gap in the needs of the market and technology and created a state-of-the-art virtual solution for instantly transferring funds.

The inventions are directed toward a variety of different software and hardware solutions to the long-felt need of providing systems to transfer funds any time of day from any location to any other location without the existence of a pre-existing, specific account link. The inventions arranged the hardware components for banking and other fund transfer systems to achieve the transfer of funds in the manner claimed in the patents found ineligible under § 101. The claims present a unique solution for directly accessing and electronically and virtually transferring funds using a touch-tone telephone, computer, or mobile device to send cash transfers from a sender's account to a different receiving account as claimed in each distinct embodiment. Following different claims, users could directly access funds contained in their debit or bank account to send funds to a recipient account accessible at any ATM or point-of-sale ("POS") terminal. The sender could use electronic, virtual interfaces to transfer these funds. While developing a prototype that would include producing a new system for person-to-person transfers and development of configured adapters, ITS attained a cost estimate of about \$2.5 million to develop the new system and components, indicating these components were not off-the-shelf generic components at the time of the invention.

## B. Procedural Background

ITS filed suit alleging that First Internet Bank's ("FIB") internet-based banking systems—particularly their processes for fund transfers—infringed certain claims of United States Patent Nos. 7,912,786 ("the '786 patent"), 8,131,643 ("the '643 patent"), 8,321,347 ("the '643 patent"), and 8,620,809 ("the '809 patent") (collectively, "the Asserted Patents"). FIB responded to ITS's complaint by filing a motion to dismiss for failure to state a claim under Rule 12(b)(6), invoking 35 U.S.C. § 101. FIB's motion made factual assertions, which ITS's opposition directly disputed with evidence. The Magistrate Judge, however, declined to consider the factual evidence. Moreover, FIB's motion did not analyze all of the claims or claimed limitations, but instead discussed only four independent claims of the 181 claims of the Asserted Patents as representative of all of the independent and dependent claims. FIB's motion to dismiss presented mere attorney argument to substantiate arguments requiring, but lacking, any factual support in the record.

Regarding claim construction, the Eastern District of Texas has a standing order requiring the parties to submit a short joint letter indicating whether the parties believe it necessary to conduct claim construction after the submission of a motion to dismiss under 35 U.S.C. § 101. *See* E.D. Tex. Standing Order Regarding Motions Under 35 U.S.C. § 101 and Accompanying Certifications, available at [http://www.txed.uscourts.gov/sites/default/files/judgeFiles/Standing\\_Order\\_Regarding\\_Motions\\_Under\\_35\\_USC\\_101.pdf](http://www.txed.uscourts.gov/sites/default/files/judgeFiles/Standing_Order_Regarding_Motions_Under_35_USC_101.pdf) (last visited May 19, 2018). In instances such as this one, that abbreviated procedure is substituted for the one this Court enumerated in

*Markman v. Westview Instruments, Inc.*, because no formal claim construction ever occurred. 517 U.S. 370 (1996). The parties submitted their positions regarding the need for claim construction on August 4, 2016, while FIB’s motion to dismiss was still pending. FIB asserted that claim construction was unnecessary, and yet offered its own constructions for claim terms. ITS asserted that claim construction was necessary and useful, pointing out that multiple claim terms needed to be construed.<sup>1</sup> The District Court neither made a specific determination regarding this joint letter nor construed the disputed claim terms.

On September 27, 2016, ITS opposed FIB’s motion to dismiss. This response included two declarations that stand unrebutted: one from Battaglini, and one from an expert, Mark Lamont (“Lamont”). Lamont is an expert in computer systems and was particularly experienced in fund transfers in the banking industry around the time of the invention. The declarations evidenced the fallacy of FIB’s arguments and described the real-world technical problems associated with virtual fund transfers at the time of the invention—problems solved by the Asserted Patents. The record thus contains distinct factual evidence that those patents were not abstract, and if they could be considered as much, contained additional elements that were not routine, conventional, or well-known when considered as a whole. FIB notably supplied no expert or other witness testimony to rebut ITS’s arguments.

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1. ITS provided a non-exhaustive list of claim terms to construe, including “pre-existing/pre-established”, “consumer accessible and consumer operable”, “automated modes and adaptors”, “simultaneously/virtually simultaneously”, along with the claims’ preambles. ITS also provided claim constructions, which the district court and the Federal Circuit ignored.

On January 30, 2017, the Magistrate Judge issued his Report and Recommendation (“R&R”) under § 101. Despite factual disputes, unresolved claim construction issues, and scant analysis, the R&R recommended dismissing the case. ITS timely objected to the R&R as including improper conclusions of law for its treatment of § 101 determinations, along with other legal conclusions, and its failure to properly find FIB’s motion deficient. Nevertheless, the District Court adopted the R&R on February 15, 2017, a mere two days after ITS submitted its objections. The District Court offered no analysis of the claims or the Asserted Patents. *See* Appx3a-4a.

ITS appealed the District Court’s decision to the U.S. Court of Appeals for the Federal Circuit, which affirmed the lower court’s ruling by issuing a ruling under Fed. Circ. R. 36. The only analysis that has been provided up to this point is that of the Magistrate Judge in the R&R, which failed to address claim terms, factual disputes, and declarant testimony. The District Court’s decision was issued prior to recent decisions from the Federal Circuit holding that determinations related to step two of the *Alice/Mayo* test are a question of fact. *Mayo*, 566 U.S. 66; *Alice*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (the “*Mayo/Alice* test”).

## **REASONS FOR GRANTING THE PETITION**

### **I. Defenses to Patent Infringement are Specifically Enumerated in § 282(b) and They do Not Include Challenges Under § 101.**

Patents are a public right granted after examination at the U.S. Patent and Trademark Office. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365,



1375 (2018). That examination is both legal and factual because Examiners apply their technical acumen to the substance of the invention and to the legal requirements of the Patent Act, the Code of Federal Regulations, and the Manual of Patent Examining Procedure. *See, e.g.*, 35 U.S.C. § 131; 37 C.F.R. Ch. I, Subch. A, Patents; M.P.E.P. § 701. Invalidating patents on a motion to dismiss, after patents have been substantively examined, is contrary to Due Process because the District Court is not engaging in any substantive or factual analysis of the patents. A judge’s discretion, based solely on attorney argument, which also ignored declarant testimony in this instance, should not substitute for how a skilled artisan would have understood the patents.

As argued in the briefs below, Congress did not articulate a defense to patent infringement that includes ineligibility under § 101. Available defenses to patent infringement are specifically articulated and limited to those in § 282(b) and further defenses cannot be incorporated from other portions of the Patent Act by inference. *SCA Hygiene, LLC*, 137 S. Ct. at 961-67. Had Congress intended for § 101 to be available as a defense to patent infringement, it would have included it in § 282(b), and there is no justification as to why it could be included in those defenses that “shall be included” therein. *See id.*

This case is ripe for this Court’s review because the issues here highlight the often irreconcilable procedural problems that arise as a result of dismissing claims under a motion to dismiss for being ineligible under § 101. As argued in the briefs below, at least one judge from the Federal Circuit has called into question the propriety of using § 101 as a defense to patent infringement altogether.

*CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1296-98 (Fed. Cir. 2013) (Rader, C.J. concurring-in-part, dissenting-in-part) (“In sum, any analysis of subject matter eligibility for patenting must begin by acknowledging that any new and useful process, machine, composition of matter, or manufacture, or an improvement thereof, is eligible for patent protection. While a claim may not later meet the rigorous conditions for patentability, Section 101 makes these broad categories of claimed subject matter eligible for that consideration.”) *aff'd*, 134 S. Ct. 2347 (2014). This statement also illustrates the distinction between the threshold determination of eligibility, and the more nuanced, fact-intensive determinations made to determine patentability, *i.e.*, those present when apparent factual distinctions exist in the record. Other commentary has discussed how § 101 is not contained within the defenses to patent infringement enumerated in § 282, demonstrating how the current precedent and treatment in the lower courts departs from the statutes and Congressional intent. *See, e.g.*, David Hricik, *Are the Courts Correct in Their Assumptions that a Patent Issued on Non-Patentable Subject Matter is Invalid?*, Patently-O (Aug. 27, 2012), <https://patentlyo.com/patent/2012/08/are-the-courts-correct-in-their-assumption-that-a-patent-issued-on-non-patentable-subject-matter-is-invalid.html> (Discussing how § 101 is not a defense to infringement under § 282); David Hricik, *Why Section 101 is Neither a “Condition of Patentability” nor an Invalidity Defense*, Patently-O (Sep. 16, 2013), <https://patentlyo.com/hricik/2013/09/why-section-101-is-neither-a-condition-of-patentability-nor-an-invalidity-defense.html>; Dennis Crouch, *What are the Defenses to Patent Infringement?*, Patently-O (Nov. 7, 2017), <https://patentlyo.com/patent/2017/11/defenses-patent-infringement.html>; *see also* Eric Gutttag, *RMail v.*

*Amazon.com: Can Invalidity Based on 35 U.S.C. § 101 Be Properly Raised as a Defense in Litigation?*, IPWatchdog (Sep. 13, 2012), <http://www.ipwatchdog.com/2012/09/13/rmail-v-amazon-com-can-invalidity-based-on-35-u-s-c-%C2%A7-101-be-properly-raised-as-a-defense-in-litigation/id=28033/> (Discussing the inapplicability of § 101 as an infringement defense).

## **II. District Courts are Improperly and Prematurely Invalidating Patents in Response to Rule 12(b)(6) Motions to Dismiss.**

A complaint must plead facts that, when accepted as true, state a claim that is “plausible on its face.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007); *see also Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). All well-pleaded facts are presumed to be true. *See id.* This standard should be viewed uniquely in the context of patent validity at the Rule 12(b)(6) stage because technical experts at the U.S. Patent and Trademark Office have already examined the patents prior to their issuance, which leads to their presumption of validity. 35 U.S.C. § 282. Considering that well-pleaded facts are presumed to be true combined with patents’ presumption of validity, District Courts should not be invalidating claims based on mere attorney argument in a motion to dismiss. A case could have the claims for infringement dismissed based on a failure to adequately plead a claim but the underlying patents themselves should not be found invalid without sufficient fact-finding and reasoned legal analysis. It is especially troubling when the judgment is one under Federal Circuit Rule 36, which upholds the District Court’s decision without any discussion or analysis.

The outcome of this case implicitly alters pleading standards but provides no guidance on how to proceed because the Federal Circuit issued a Rule 36 decision based on a motion to dismiss for failure to adequately plead a claim, which provides no rationale as to why the patents were found invalid or what was missing from the pleadings. During the argument before the Federal Circuit, Judge Newman appeared aware of this concern and questioned the requisite content of complaints for patent infringement, concerned that this outcome forces patent owners to lay out their entire case at the pleadings stage. Hearing Tr. at 15:00-16:30, 24:00-26:00, *available at* <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2017-1795.mp3>. In response to this questioning, FIB's counsel argued it would have been reasonable for ITS to lay out its entire case and provide claim constructions prior to any expert testimony on the matter. *Id.* Judge Newman's very concern is critical here: the natural implication of the Federal Circuit's decision, coupled with the lack of any opinion, creates untenable ambiguity because patent owners are left with no guidance as to what is required to adequately plead a claim. Are patent owners required to include expert reports with their complaints to explain the technology and status of the technology at the time the patent application was filed? Must patent owners propose a full listing of claim constructions in the complaint, despite the District Court having not yet engaged in the required *Markman* hearing and ruling on the proper claim construction? *Markman*, 517 U.S. 370; *see also Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). These questions are left unanswered.

Such requirements are contravened by the requirements of Rule 8 of the Federal Rules of Civil Procedure along with the holdings of *Iqbal* and *Twombly*. Invalidating claims on a motion to dismiss—when facts are in dispute and there has been no claim construction or resolution of factual issues—is antithetical to the statutory presumption afforded to patents. This Court should order that the lower courts not disregard this presumption.

### **III. Determining What is Routine, Conventional, or Well-Understood is a Question of Fact, Which is Improperly Resolved at the Pleading Stage.**

The *Mayo/Alice* test asks: (1) whether the claims at issue are directed to patent-ineligible concepts; and (2) is the claim directed to a law of nature, a natural phenomenon, or an abstract idea (*i.e.*, judicially recognized exceptions) and, if yes, is there something “significantly more” in the claim to ensure that the claim is not merely covering just the judicially recognized exceptions when considering the claim terms individually and as an ordered combination. The *Mayo/Alice* tests requires the claims be read as a whole, and not merely have the individual elements of the challenged claim considered. *See, e.g., Alice*, 134 S.Ct. at 2355 (“We consider the elements of each claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.”) (quoting *Mayo*, 566 U.S at 79).

This Court should consider the propriety of Rule 12(b) (6) invalidations of patents when the “question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan

in the relevant field is a question of fact.” *Berkheimer v. HP Inc., FKA Hewlett-Packard Company*, 881 F.3d 1360, 1368-69 (Fed. Cir. 2018). Therefore, “any fact... that is pertinent to the invalidity conclusion must be proven by clear and convincing evidence.” *Id.* (citing and following *Microsoft Corp*, 564 U.S. at 95). These conclusions align with ITS’s arguments. This requisite fact-finding coincides with the presumption of validity afforded to issued patents. Neither the Federal Circuit nor the District Court resolved the open question of fact as to what was routine, conventional, or well-understood despite ITS’s presentation from declarants showing that claim elements did not fall into those categories.

ITS submitted declarations from the examination of the patents—which was thus part of the pleadings—describing the disclosure and claimed components contained aspects that were not routine, well-understood, or conventional when considering the components as an ordered combination, and these were ignored by the District Court. At the pleading stage, the District Court must accept all these well-pleaded facts as true. *Saenz v. Flores*, 668 F. App’x 611, 612 (5th Cir. 2016). The Fifth Circuit, which was the controlling procedural precedent in the lower courts in this case, considers matters of public record, such as the prosecution history, to be part of the public record. *Funk v. Stryker Corp.*, 631 F.3d 777, 783 (5th Cir. 2011); *see Philips*, 415 F.3d at 1319. The District Court failed to accept these well-pleaded facts as true in reference to the factual inquires of 35 U.S.C. § 101, as required by the recent *Berkheimer* decision and as argued by ITS. This Court should embrace the *Berkheimer* standard and require that District Courts engage in adequate factual analysis to be persuaded by

clear and convincing evidence that the party challenging the patent has demonstrated that the patent claims contain no more than what is routine, conventional, or well-understood. *See also Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1124 (Fed. Cir. 2018) (holding that the District Court prematurely dismissed database patents); *see also Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals Int'l Ltd*, 887 F.3d 1117 (Fed. Cir. 2018) (finding treatment methods patent-eligible but drawing sharp disagreement between the majority and dissent); *but see Automated Tracking Sols., LLC v. Coca-Cola Co.*, No. 2017-1494, 2018 WL 935455, at \*2 (Fed. Cir. Feb. 16, 2018) (non-precedential opinion finding radio-frequency identification tracking patents invalid under § 101 because the complaint did not allege that technology was a developing technology). The inconsistencies at the Federal Circuit are clear and should be corrected by this Court.

The *Berkheimer* decision also supports ITS's positions regarding claim construction and the treatment of representative claims. According to lower courts, a "claim is not representative simply because it is an independent claim" and that "meaningful arguments regarding limitations" can be adequate to focus the Court on more than a claim that the District Court asserted was representative. *Berkheimer*, 881 F. 3d at 1365-66. That recent decision supports all of ITS's arguments and is the proper standard by which to consider patent claims in the face of a Rule 12(b)(6) challenge.

Ignoring the presumption of validity improperly shifts the burdens at the pleadings stage. As argued at the Federal Circuit, ITS demonstrated how FIB failed

to meet its burdens to justify the District Court’s grant of a motion to dismiss under Rule 12(b)(6). The District Court erred when it did not accept all well-pleaded facts as true, engage in meaningful consideration of the factual disputes including claim construction, and fully consider the claims in light of *Alice*. For example, step two of *Alice* is a search for an inventive concept, not the search to justify a lack of an inventive concept. *Alice*, 134 S. Ct. at 2355. Thus, under this Court’s law, a court—on considering a § 101 motion to dismiss—should actively seek an inventive concept. Seeking an inventive concept should be treated similarly to how courts are to treat claim constructions generally. When the meaning of a claim term is not ambiguous, courts should apply the meaning that preserves validity of the patent when it is practicable to do so. *Phillips*, 415 F.3d at 1327 (“[C]laims can only be construed to preserve their validity where the proposed claim construction is ‘practicable,’ is based on sound claim construction principles, and does not revise or ignore the explicit language of the claims”) (quoting *Generation II Orthotics Inc. v. Med. Tech. Inc.*, 263 F.3d 1356, 1365 (Fed. Cir. 2001)). This Court should treat the Asserted Patents the same by giving them their presumption of validity and applying this rationale to § 101 at the pleading stage, when the allegations of the complaint are to be taken as true and instruct lower courts to do the same. *Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1347 (Fed. Cir. 2016); *Scanlan v. Texas A&M Univ.*, 343 F.3d 533, 536 (5th Cir. 2003). This is imperative at the motion to dismiss stage because a plaintiff merely needs to plead “enough facts to state a claim to relief that is plausible on its face.” *Twombly*, 550 U.S. at 570. Seeking an inventive concept makes sense in the face of a 12(b)(6) motion. Notice pleading merely requires that the claimant present a complaint that provides “a short and plain



statement of the claim” that satisfies the requirements of the Rule 8 of the Federal Rules of Civil Procedure. *See id.*

District Courts are inconsistently and inappropriately applying § 101 case precedent. *Diamond v. Diehr* holds patent eligibility is applied to broadly consider patent claims subject-matter eligible and this Court emphasized that principle in *Mayo. Diehr*, 450 U.S. 175, 182 (1981) (commenting on Congressional intent by saying “the Committee Reports accompanying the 1952 Act which inform us that Congress intended statutory subject matter to ‘include anything under the sun that is made by man.’”); *Mayo*, 566 U.S. at 75-79. This Court further cautioned that over-application of the exceptions to § 101 could “eviscerate patent law.” *Id.* at 70. *Alice* warns lower courts to “tread carefully in construing this exclusionary principle lest it swallow all of patent law” because “[a]t some level, ‘all inventions . . . embody, use, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” 134 S.Ct. at 2354 (quoting *Mayo*, 566 U.S. at 70). But lower courts, such as the District Court and Federal Circuit in this case, have not proceeded with caution and have not consistently applied § 101: conclusively finding presumptively valid patent claims invalid in the face of unrebutted declarant testimony without any resolution makes this apparent. *See* Matthew B. Hershkowitz, *Patently Insane for Patents: A Judge-by-Judge Analysis of the Federal Circuit’s Post-Alice Patentable Subject Matter Eligibility of Abstract Ideas Jurisprudence*, 28 *Fordham Intell. Prop. Media & Ent. L.J.* 109, 132 (2017). This Court should reemphasize *stare decisis* saying that the scope of subject matter eligible under § 101 is broad and lower courts should not outright find patents invalid without engaging in the proper fact-finding that has

caused the exceptions to § 101 to expand further than this Court intended and instructed.

**CONCLUSION**

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

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## **APPENDIX**

1a

**APPENDIX A — JUDGMENT OF THE UNITED  
STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT, FILED FEBRUARY 20, 2018**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2017-1795

INTEGRATED TECHNOLOGICAL SYSTEMS, INC.,

*Plaintiff-Appellant,*

v.

FIRST INTERNET BANK OF INDIANA,

*Defendant-Appellee.*

Appeal from the United States District Court for the  
Eastern District of Texas in No. 2:16-cv-00417-JRG-RSP,  
Judge J. Rodney Gilstrap.

**JUDGMENT**

THIS CAUSE having been heard and considered, it is  
ORDERED and ADJUDGED:

PER CURIAM (NEWMAN, LOURIE, and DYK, *Circuit  
Judges*).

**AFFIRMED. See Fed. Cir. R. 36.**

2a

*Appendix A*

ENTERED BY ORDER OF THE COURT

February 20, 2018  
Date

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

**APPENDIX B — ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE EASTERN  
DISTRICT OF TEXAS, MARSHALL DIVISION,  
FILED FEBRUARY 15, 2017**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

Case No. 2:16-CV-00417-JRG-RSP

INTEGRATED TECHNOLOGICAL SYSTEMS, INC.,

*Plaintiff,*

v.

FIRST INTERNET BANK OF INDIANA,

*Defendant.*

**ORDER ADOPTING REPORT  
AND RECOMMENDATION AND  
ENTERING JUDGMENT**

Before the Court is the Report and Recommendation filed by Magistrate Judge Payne on January 30, 2017, Dkt. No. 51, recommending that First Internet Bank of Indiana's ("FIB") motion to dismiss for failure to state a claim, Dkt. No. 26, be granted. Having considered the objections filed by Integrated Technological Systems, Inc. ("ITS"), and finding those objections to be without sufficient merit, the Recommendation is **ADOPTED**.

*Appendix B*

IT IS ORDERED AND ADJUDGED that FIB's motion to dismiss, Dkt. No. 26, is hereby **GRANTED**. ITS's complaint is **DISMISSED**. All pending motions are not previously addressed by the Court are **DENIED**. This is a final judgment and the Clerk is **ORDERED** to close this case.

**APPENDIX C — REPORT AND  
RECOMMENDATION OF THE UNITED STATES  
DISTRICT COURT FOR THE EASTERN DISTRICT  
OF TEXAS, MARSHALL DIVISION, FILED  
JANUARY 30, 2107**

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

Case No. 2:16-CV-00417-JRG-RSP

INTEGRATED TECHNOLOGICAL SYSTEMS, INC.,

*Plaintiff,*

v.

FIRST INTERNET BANK OF INDIANA,

*Defendant.*

January 30, 2017, Decided  
January 30, 2017, Filed

**REPORT AND RECOMMENDATION**

This is a patent infringement action in which Integrated Technological Systems, Inc. (ITS) accuses First Internet Bank of Indiana (FIB) of infringing four patents, United States Patent Nos. 7,912,786, 8,131,643, 8,321,347, and 8,620,809. Dkt. No. 1 (Complaint) ¶ 2. FIB moves to dismiss the complaint for failure to state a claim, contending that the subject-matter claimed by the patents is not eligible for patenting under 35 U.S.C. § 101. Dkt. No.



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26. The Court agrees. FIB's motion (Dkt. No. 26) should be granted.

**DISCUSSION**

A complaint should be dismissed if it “fail[s] to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). When considering a motion to dismiss under Rule 12(b)(6), a court “accept[s] all well-pleaded facts as true, and view [s] those facts in the light most favorable to the plaintiff.” *Bustos v. Martini Club, Inc.*, 599 F.3d 458, 461 (5th Cir. 2010). The court must then decide whether those facts state a plausible claim for relief. *Bowlby v. City of Aberdeen, Miss.*, 681 F.3d 215, 217 (5th Cir. 2012). “A claim is plausible if ‘the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more than a sheer possibility that a defendant has acted unlawfully.” *United States v. Bollinger Shipyards, Inc.*, 775 F.3d 255, 260 (5th Cir. 2014) (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009)). Instead, the standard “simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence of [the claim].” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 545, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007). “The factual allegations in the complaint need only ‘be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact).” *Wooten v. McDonald Transit Assocs., Inc.*, 788 F.3d 490, 498 (5th Cir. 2015) (quoting *Twombly*, 550 U.S. at 555).

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The plausibility standard “does not give district courts license to look behind [a complaint’s] allegations and independently assess the likelihood that the plaintiff will be able to prove them at trial.” *Harold H. Huggins Realty, Inc. v. FNC, Inc.*, 634 F.3d 787, 803 n.44 (5th Cir. 2011)). Under Rule 8(a)(2) of the Federal Rules of Civil Procedure, a plaintiff is generally required to provide “only a plausible ‘short and plain’ statement of the plaintiff’s claim, not an exposition of [the plaintiff’s] legal argument.” *Skinner*, 562 U.S. at 530. The “short and plain” statement does not “countenance dismissal of a complaint for imperfect statement of the legal theory supporting the claim asserted.” *Johnson v. City of Shelby, Miss.*, 135 S. Ct. 346, 346, 190 L. Ed. 2d 309 (2014).

**A. Subject-Matter Eligibility**

A patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The exception is that “[l]aws of nature, natural phenomena, and abstract ideas are not patentable.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2116, 186 L. Ed. 2d 124 (2013) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 132 S.Ct. 1289, 1293, 182 L. Ed. 2d 321 (2012)). In assessing subject-matter eligibility, a court must “first determine whether the claims at issue are directed to a patent-ineligible concept.” *Alice Corp. Pty Ltd. v. CLS Bank Int’l*, 134 S.Ct. 2347, 2355, 189 L. Ed. 2d 296 (2014). If the claims are directed to an ineligible concept, the court must then “consider the elements of each claim both individually and ‘as an ordered combination’ to determine

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whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S.Ct. at 1298, 1297).

**B. Section 101 and the Pleading Stage**

Although procedure is often slighted in the context of § 101 motions, the Court does not take invalidating a patent at the pleading stage lightly. It is true, as FIB suggests, that courts routinely invalidate patents under § 101 on a motion to dismiss, and that this practice is condoned by the Federal Circuit. *See, e.g., In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 610 (Fed. Cir. 2016). There are limitations to the practice, however, that restrict the determination of subject-matter ineligibility at the pleading stage.

First is the scope of what a court can consider on a motion to dismiss. The motion to dismiss challenges the sufficiency of the face of the complaint. *See Iqbal*, 556 U.S. at 678. Courts evaluating patent-eligibility at the pleading stage nevertheless consider the asserted patent and relevant prosecution history as matters of public record appropriate for judicial notice. *See Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1344 (Fed. Cir. 2016) (discussing specification); *Mark I Marketing Corp. v. R.R. Donnelley & Sons Co.*, 66 F.3d 285, 292 (Fed. Cir. 1995) (“[T]he prosecution history of the ‘241 patent is a matter of public record.”). At some point, however, the presentation of matters outside the pleadings gives rise to a court’s discretion to convert the dismissal motion to a motion for summary judgment. *See Fed. R. Civ. P. 12(d); Gen. Retail Servs., Inc. v. Wireless*

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*Toyz Franchise, LLC*, 255 F. App'x 775, 785 (5th Cir. 2007).

Second, while patent eligibility is a question of law, the legal conclusion may contain underlying factual issues best resolved at a later stage. *See, e.g., Diamond Grading Techs. Inc. v. Am. Gem Soc'y*, No. 2:14-CV-1161-RWS-RSP, 2016 U.S. Dist. LEXIS 134671, 2016 WL 5719700, at \*3 (E.D. Tex. Sept. 12, 2016), *report and recommendation adopted*, No. 2:14-CV-1161-RWS-RSP, 2016 U.S. Dist. LEXIS 134172, 2016 WL 5475494 (E.D. Tex. Sept. 29, 2016); *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013). Third, and similarly, “it will ordinarily be desirable—and often necessary—to resolve claim construction disputes prior to a § 101 analysis, for the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter.” *Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, 687 F.3d 1266, 1273-74 (Fed. Cir. 2012). In sum, invalidity under § 101 can be declared at the pleading stage if patent eligibility can be determined on the basis of materials properly considered on a motion to dismiss, purely as a matter of law, when claim construction is unnecessary.

### **C. *Alice* Step One**

With this background in mind, the Court turns to *Alice* Step One. In determining whether a claim is directed to an abstract idea, it is necessary to consider the language of the claims. The question of subject-matter eligibility must be determined on a “claim-by-claim basis.” *Accenture*, 728 F.3d at 1347. “[D]escribing the claims at . . . a high level of abstraction and untethered from the language

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of the claims all but ensures that the exceptions to § 101 swallow the rule.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016). However, it is unnecessary to address the patent eligibility of each asserted claim if “all the claims are substantially similar and linked to the same abstract idea.” *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343, 1348 (Fed. Cir. 2014) (internal quotation and citation omitted).

The patents-in-suit share a substantially similar specification. The summary of the invention in each patent describes the “primary objective” of the invention—“to provide a method and system for sending money transfers such as cash between a sender and a remotely located recipient without a pre-established relationship, such as an account link, between the parties.” *See, e.g.*, ’786 patent at 2:38-42. The concept to which the patents are directed is illustrated by an example in which the sender of funds first enters their account information “via an electronic input device . . . such as . . . a touch-tone telephone, a computer modem, an automated teller machine (ATM), and the like.” ’786 patent at 6:40-43. The sender then authorizes a money transfer, funds are transferred to an “electronic escrow agent,” and the funds are then forwarded to the recipient. *Id.* at 6:29-58.

Each asserted claim is directed to this same concept. The claims differ to the extent they recite variations in how to implement the concept. The ’786 patent claims, for example, recite a “computer machine system for transferring money funds.” ’786 patent at 14:39-40. The computer system recited by the ’643 patent claims, by contrast, is “adapted to being accessed by a communication

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medium device,” such as a phone. ‘643 patent at 14:41-67. Thus, the claims differ in the types of hardware and the means used to transfer the funds.

Importantly, however, the patents do not describe the type or configuration of the hardware as inventive. To the contrary, the specifications state that “[t]he invention does not require special hardware since existing ATM terminals can easily be used with the invention.” *See, e.g.*, ’786 patent at 6:61-63. The specifications also explain that while the preferred embodiment “describes using a touch-tone telephone to send the money transfer,” other devices can be used, including “PC (personal computers connected to modems, the Internet, merchant card swipe machines, live telephone operators, P.O.S. (Point of Sale Terminals, and automated telephone operators.” ’786 patent at 14:30-37. No representation is made by the patents that these components are anything other than known and conventional.

Because each asserted claim is directed to the same concept, and because the claims only differ in the way in which the concept is implemented, the ’786 patent claims are sufficiently representative of all the asserted claims for purposes of determining subject-matter eligibility. Claim 1 of the ’786 patent recites:

1. An automated business process computer machine system for transferring money funds comprising:

- a computer system which receives, processes and transmits account information data in order

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to effect simultaneous money transfers from sending debit card accounts to receiving debit card accounts; and

the computer system being adapted to being accessed by a human sender's communication medium device, wherein the computer system receives the account information data and transfer authorization data from the communication medium device, and processes and transmits the data in automated modes with data transmission language through transmission and electronic mediums, so that the computer system processes and effects a money transfer from a sending debit card account to a receiving debit card account without the necessity of a pre-established relationship between the sending debit card account and the receiving debit card account, and in which the computer system simultaneously repeats the computer system processes and, by the computer system, effects additional transfers between different sending debit card accounts and different receiving debit card accounts causing simultaneous money transfers from the different sending debit card accounts to the different receiving debit card accounts.

'786 patent at 14:39-64.

The question, then, is whether the concept to which claim 1 is directed, i.e., the concept of transferring funds between accounts without a pre-established link between

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the accounts is an abstract idea. ITS highlights that the claims include a particular limitation that is novel—“without the necessity of a pre-established relationship between the sending debit card account and the receiving debit card account,” as recited in claim 1 of the ’786 patent, for example. *See, e.g.*, Dkt. No. 29-1 at 4. Indeed, the Examiner allowed the claims over prior art that did not describe a computer system “adapted to being accessed . . . without the necessity of a pre-established relationship between the sending account and the receiving account.” Dkt. No. 29-6 at 5-6.

It is possible, however, that “[a] novel abstract idea is still an abstract idea.” *Netflix, Inc. v. Rovi Corp.*, 114 F. Supp. 3d 927, 937 (N.D. Cal. 2015), *aff’d*, No. 2015-1917, 670 Fed. Appx. 704, 2016 U.S. App. LEXIS 20331, 2016 WL 6575091 (Fed. Cir. Nov. 7, 2016); *see also Diamond v. Diehr*, 450 U.S. 175, 190, 101 S. Ct. 1048, 1058, 67 L. Ed. 2d 155 (1981) (“The question therefore of whether a particular invention is novel is wholly apart from whether the invention falls into a category of statutory subject matter.”) (internal quotations and citation omitted). While the concept of simultaneously transferring funds without the necessity of a pre-established link between accounts does not seem abstract, the term “abstract” in the context of § 101 law does not mean the same thing as it does in common parlance. Indeed, there is no definitive rule to determine what constitutes an “abstract idea” within the meaning of *Alice*. *See Enfish*, 822 F.3d at 1335. Rather, it is “sufficient to compare claims at issue to those claims already found to be directed to an abstract idea in previous cases.” *Id.*



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Comparing the claims of the patents-in-suit to claims assessed under § 101 in past cases reveals that the concept to which the claims are directed is remarkably similar to the category of claims most susceptible to conquest by § 101—those involving “fundamental economic and conventional business practices.” *Id.* at 1335. Such claims are “often found to be abstract ideas, even if performed on a computer.” *Id.* (citing *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362-63 (Fed. Cir. 2015)).

The patents-in-suit describe a way in which funds can be simultaneously transferred between accounts without a pre-established link between those accounts. According to the patents, this is accomplished through an “electronic escrow agent.” 786 patent at 6:29-58. Whether the Court considers this concept “fundamental” or not, it is impossible to distinguish it from other business methods found to be abstract. *See OIP Techs.*, 788 F.3d at 1362-63 (collecting cases). In fact, the concept (or at least how the concept is implemented) is similar to the use of a financial intermediary that was declared abstract in *Alice*. *See* 134 S. Ct. at 2355.

**D. *Alice* Step Two**

Beyond the abstract idea of transferring funds between accounts without a pre-established link between them, the claims recite nothing more than “conventional computer activities or routine data-gathering steps.” *See id.* at 1362-63. ITS insists that claim construction is necessary before making this determination. *See, e.g.*, Dkt. No. 29-1 at 4. But the patents themselves are sufficient to answer the question. The patents describe conventional

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media and components, such as personal computers, the Internet, cell phones, and ATMs, and expressly state that specialized hardware is not required. *See, e.g.*, '786 patent at 6:61-63; 14:30-37. If the claimed method of transferring funds requires an inventive hardware configuration or inventive software as ITS suggests, one would expect a more particularized claim, and probably a claim that could not be classified as abstract at all. *See, e.g., DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1259 (Fed. Cir. 2014). In sum, the claims fail to overcome *Alice* Step Two under any reasonable claim construction.

ITS's arguments to the contrary are not persuasive. Nearly half of ITS's response brief is devoted to an explanation of why FIB has not met its burden of invalidating the claims under § 101 at the pleading stage. ITS highlights unresolved fact issues, FIB's alleged clear and convincing evidence burden, FIB's failure to establish a representative claim, and the need for claim construction. Dkt. No. 41 at 1-12. The Court understands the burden and has carefully considered the procedural posture of this case, but ITS's arguments are unconvincing.

While it may be true that FIB's motion raises factual issues, those issues are not material to the subject-matter eligibility of the asserted patents. Whether the steps recited in the claims can be performed by a "human bank teller," for example, is not necessary to decide *Alice* Step One when the claims can adequately be compared to claims declared abstract in past cases. *See Amdocs (Israel) Ltd. V. Openet Telecom, Inc.*, 841 F.3d 1288, 1294 (Fed. Cir. 2016) ("Instead of a definition, then, the decisional mechanism courts now apply is to examine

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earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided.”). Accordingly, the Court need not answer whether a clear and convincing evidence burden applies to factual issues underlying subject-matter eligibility. *See, e.g., CG Tech. Dev., LLC v. Big Fish Games, Inc.*, No. 216CV00857RCJVCF, 2016 U.S. Dist. LEXIS 115594, 2016 WL 4521682, at \*3 (D. Nev. Aug. 29, 2016) (discussing uncertainty in whether clear and convincing evidence burden applies). ITS’s remaining arguments are unpersuasive.

**CONCLUSION**

The Court therefore finds that the asserted claims are directed to subject-matter that is not patent-eligible under § 101. Accordingly, the claims are invalid, and FIB’s motion to dismiss (Dkt. No. 26) should be granted. A party’s failure to file written objections to the findings, conclusions, and recommendations contained in this report within fourteen days after being served with a copy shall bar that party from de novo review by the district judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); *see Douglass v. United Servs. Auto. Ass’n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc).