

No. 17-350

IN THE
Supreme Court of the United States

PNC BANK NATIONAL ASSOCIATION, U.S. BANK
NATIONAL ASSOCIATION, U.S. BANCORP, BANK OF THE
WEST, SANTANDER BANK, N.A., ALLY FINANCIAL,
INC., RAYMOND JAMES & ASSOCIATES, INC.,
Petitioners,

v.

SECURE ACCESS, LLC,
Respondent.

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

REPLY BRIEF FOR PETITIONERS

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CORPORATE DISCLOSURE STATEMENT

Petitioner PNC Bank National Association is a wholly owned, indirect subsidiary of PNC Financial Services Group, Inc., which is a publicly traded company and does not have a parent corporation.

Petitioner U.S. Bank National Association is a wholly owned subsidiary of U.S. Bancorp. U.S. Bancorp is a publicly owned corporation organized under the laws of the State of Delaware and does not have any parent corporation and no publicly held corporation owns 10% or more of its stock.

Petitioner Bank of the West is a wholly owned subsidiary of BancWest Holding, Inc. No publicly held corporation owns 10% or more of the stock of Bank of the West.

Petitioner Ally Financial, Inc. does not have a parent corporation. No publicly held corporation owns 10% or more of Ally Financial, Inc.'s stock.

Petitioner Santander Bank, N.A. is a wholly owned subsidiary of Santander Holdings USA, Inc., a Virginia corporation. No publicly held corporation other than Santander Holdings USA, Inc. currently owns 10% or more of its stock.

Petitioner Raymond James & Associates, Inc. is a wholly owned subsidiary of Raymond James Financial, Inc. No other publicly held corporation owns more than 10% of the stock of Raymond James & Associates, Inc.

TABLE OF CONTENTS

	Page
CORPORATE DISCLOSURE STATEMENT.....	i
TABLE OF AUTHORITIES	iv
ARGUMENT.....	2
I. THE COURT SHOULD VACATE THE DECISION BELOW.....	2
A. The Case Is Now Moot.....	2
B. The Judgment Below Should Be Vacated With Instructions To Dismiss.....	4
II. IF THE CASE IS NOT MOOT, THE COURT SHOULD GRANT THE PETITION AND REVERSE.....	7
A. The Scope Of The CBM Program Is Undisputedly An Important Issue.....	7
B. The Panel’s Interpretation Is Contrary To The Statutory Text And The Purpose Of CBM Review	9
CONCLUSION	12

TABLE OF AUTHORITIES

CASES

	Page(s)
<i>A. L. Mechling Barge Lines, Inc. v. United States</i> , 368 U.S. 324 (1961)	4
<i>Alvarez v. Smith</i> , 558 U.S. 87 (2009)	2, 4, 5, 6
<i>Amalgamated Ass’n of Street, Electric Railway & Motor Coach Employees of America, Division 998 v. Wisconsin Employment Relations Board</i> , 340 U.S. 416 (1951)	2, 3
<i>Board of Governors v. Security Bancorp</i> , 454 U.S. 1118 (1991)	4, 5
<i>Consumer Watchdog v. Wisconsin Alumni Research Foundation</i> , 753 F.3d 1258 (Fed. Cir. 2014).....	3
<i>Great Western Sugar Co. v. Nelson</i> , 442 U.S. 92 (1979)	1, 5
<i>Lujan v. Defenders of Wildlife</i> , 504 U.S. 555 (1992)	3
<i>NTA Graphics, Inc. v. NLRB</i> , 511 U.S. 1124 (1994)	5
<i>Summers v. Earth Island Institute</i> , 555 U.S. 488 (2009)	3
<i>Twilio Inc. v. Telesign Corp.</i> , No. CBM2016-00099, Paper No. 13 (P.T.A.B. Feb. 27, 2017)	8
<i>U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership</i> , 513 U.S. 18 (1994).....	5

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>United States v. Munsingwear, Inc.</i> , 340 U.S. 36 (1950).....	1, 5, 6

STATUTES

28 U.S.C. § 2106	5
35 U.S.C. § 101	11
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)	9

LEGISLATIVE MATERIALS

H.R. Rep. No. 112-98 (2011).....	10, 11
H.R. Rep. No. 114-235 (2015).....	9
157 Cong. Rec. 3417 (2011)	10
157 Cong. Rec. 9951 (2011)	10
157 Cong. Rec. 13,190 (2011)	10
Letter from Rep. Smith, Chairman of the House Judiciary Committee, to Sens. Kyl, Schumer, Leahy, and Grassley, dated Sept. 8, 2011, <i>reprinted in</i> 157 Cong. Rec. 17,111 (2011).....	9

OTHER AUTHORITIES

Shapiro, Stephen M., et al., <i>Supreme Court Practice</i> (10th ed. 2013)	4
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Secure Axxcess' opposition offers no good reason for this Court to refrain from following the "established practice" prescribed by *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950), for cases that become moot on appeal. There is no longer any actual controversy between the parties: Secure Axxcess has not appealed the Federal Circuit decision invalidating all patent claims it previously asserted against Petitioners and has dismissed all infringement actions against Petitioners, leaving them with no concrete stake in the outcome of this dispute. Accordingly, this Court should adhere to its "duty" to vacate the judgment below. *Great W. Sugar Co. v. Nelson*, 442 U.S. 92, 93 (1979) (per curiam) (emphasis omitted).

The reasons to follow that practice are especially compelling here. In the now-unreviewable decision below, a divided Federal Circuit panel resolved an important question about the scope of CBM review in a way that undisputedly altered the practices of the PTAB, patent owners, and potential challengers alike. That interpretation has drawn extensive criticism and is contrary to the statutory text, history, and purpose. Applying *Munsingwear* and vacating the judgment below would clear the way for others to litigate the issue in a case that this Court could ultimately review. Contrary to Secure Axxcess' contention, that course of action would also be fair to all the parties; it would eliminate both the Federal Circuit's judgment *and* the underlying PTAB decision invalidating the challenged claims.

If the Court determines the case is not moot, it should grant the petition and reverse the Federal Circuit's judgment. It is beyond dispute that the decision below addressed an exceptionally important question about the proper scope of the CBM program. If al-

lowed to stand, the panel majority’s overly narrow interpretation of the statute will bar CBM challenges to many of the suspect patents that Congress plainly intended the program to address.

ARGUMENT

I. THE COURT SHOULD VACATE THE DECISION BELOW

As the petition explained, this case calls for a straightforward application of the *Munsingwear* doctrine: The case became moot on appeal, and the Court should therefore grant the petition, vacate the judgment below, and remand with instructions to dismiss. Secure Axxcess’ arguments in response misstate the governing law and the remedy that Petitioners seek.

A. The Case Is Now Moot

Secure Axxcess first suggests (at 8) that *Munsingwear* should not apply because the case is not moot. In its view, “[a] finding by an administrative agency that the claims of a patent are invalid is an actual, ongoing controversy, regardless of whether there is an underlying district court action.” *Id.* That contention has no foundation in this Court’s precedent. Under this Court’s articulation of Article III’s requirements, this case is moot.

A dispute “abstracted from any concrete actual or threatened harm[] falls outside the scope of the constitutional words ‘Cases’ and ‘Controversies.’” *Alvarez v. Smith*, 558 U.S. 87, 93 (2009). To satisfy Article III, the dispute must instead be “embedded in [an] actual controversy about the [parties’] particular rights.” *Id.*; see also *Amalgamated Ass’n of St., Elec. Ry. & Motor Coach Emps. of Am., Div. 998 v. Wisconsin Emp’t Relations Bd.*, 340 U.S. 416, 418 (1951) (a case is moot

when any decision by the court would not “affect the rights of the litigants in the case before it”). There is no such controversy between the parties here. The related district court litigation has been dismissed, and Petitioners face no imminent threat of a new infringement action. The only claim of the ’191 patent that survived the separate IPR proceedings, Claim 24, has never been asserted against any of the Petitioners and Secure Access dismissed all infringement actions against Petitioners, leaving no live controversy in which Claim 24 could be asserted.

The mere existence of the PTAB’s decision does not enable Petitioners to invoke this Court’s jurisdiction. That two parties may disagree about an administrative agency’s decision is not, by itself, a “Controvers[y]” under Article III. *Cf. Summers v. Earth Island Inst.*, 555 U.S. 488, 492-493 (2009); *Consumer Watchdog v. Wisconsin Alumni Research Found.*, 753 F.3d 1258, 1261-1263 (Fed. Cir. 2014) (“While [the appellant] is sharply opposed to the Board’s decision and the existence of the ’913 patent, that is not enough to make this dispute justiciable.”). A party seeking to avail itself of federal court jurisdiction must demonstrate a “*personal stake* in the outcome.” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 579 (1992) (Kennedy, J., concurring in part and concurring in judgment) (emphasis added). Petitioners no longer have any such interest, and the case is therefore moot.¹

¹ At most, Secure Access’ reasoning suggests the PTO may have a concrete interest in defending the PTAB’s judgment. Even if correct, that is irrelevant: The mootness analysis focuses on whether a live controversy exists between the “litigants *in the case before [the Court].*” *Amalgamated Ass’n*, 340 U.S. at 418 (emphasis added). The PTO has never sought to intervene in this case.

B. The Judgment Below Should Be Vacated With Instructions To Dismiss

Secure Access offers two other reasons for leaving the Federal Circuit’s judgment in place. Both arguments, however, misunderstand the *Munsingwear* doctrine.

First, Secure Access argues (at 10) that *Munsingwear* only applies to cases that follow a “linear, judicial-only path between the order sought to be vacated” and this Court. In other words, Secure Access suggests that the doctrine categorically does not apply to administrative agency decisions. That is incorrect. This Court has expressly held that “the principle enunciated in *Munsingwear* [is] at least equally applicable to unreviewed administrative orders.” *A. L. Mechling Barge Lines, Inc. v. United States*, 368 U.S. 324, 329 (1961); *see also Board of Governors v. Security Bancorp*, 454 U.S. 1118 (1991). Accordingly, “[t]he practice is the same in cases coming from administrative agencies as from the district courts.” Shapiro et al., *Supreme Court Practice* 970 (10th ed. 2013).

Secure Access may instead mean to argue that *Munsingwear* cannot apply to appeals from agency decisions that become moot due to events occurring in related litigation. But Secure Access cites no supporting authority for such a rule, and Petitioners have found none. The reason a case becomes moot is relevant under *Munsingwear* only to the extent it is caused by the losing party’s voluntary action. *See Alvarez*, 558 U.S. at 94. Otherwise, as long as the case is moot—regardless of how it became moot—there is no reason why *Munsingwear* should not apply. The doctrine is meant to prevent petitioners “frustrated by the vagaries of circumstance” from being “forced to acquiesce” in

an adverse judgment. *U.S. Bancorp Mortg. Co. v. Bonner Mall P'ship*, 513 U.S. 18, 25 (1994). Whether the “vagaries of circumstance” stem from a change in agency regulations, as in *Munsingwear*, 340 U.S. at 37, or the unappealed decision of the Federal Circuit in a related matter combined with the dismissal of a related litigation, the result is the same: jurisdiction is extinguished.

Second, Secure Access contends (at 11) that vacating *only* the Federal Circuit’s judgment while allowing the PTAB’s decision to stand would be unfair. But that is not the typical *Munsingwear* remedy and it is not the remedy Petitioners seek.

As the petition explained (at 14), the purpose of *Munsingwear* is to “preserv[e] ‘the rights of all parties,’ while prejudicing none.” *Alvarez*, 558 U.S. at 94. Accordingly, this Court’s standard practice is not only to vacate the decision of the court of appeals, but also to remand the case with instructions to dismiss the underlying district court or agency decision. *See, e.g., NTA Graphics, Inc. v. NLRB*, 511 U.S. 1124 (1994) (vacating judgment of Sixth Circuit and remanding “with instructions to remand the case to the [NLRB] to vacate the Board’s order”); *Security Bancorp*, 454 U.S. at 1118 (vacating judgment of Ninth Circuit and remanding “with instructions to remand the case to [administrative agency] to vacate the administrative decision”); *see also Great W. Sugar*, 442 U.S. at 93 (recognizing that dismissing an appeal as moot but leaving the district court’s judgment in place would be “totally at odds” with this Court’s precedent).² Petitioners are not ask-

² Such relief is authorized by 28 U.S.C. § 2106, which grants this Court the power to vacate a lower court’s judgment and “di-

ing the Court to depart from its routine practice here by selectively vacating the Federal Circuit’s judgment. Indeed, Secure Axxess elsewhere seems to acknowledge that Petitioners seek vacatur of the PTAB’s decision. *E.g.*, Opp. 10 (“Petitioners here seek to vacate an order of an administrative agency[.]”).

Because the PTAB’s decision would be vacated as well, Secure Axxess’ remaining arguments are meritless. Application of *Munsingwear* would not “effectively constitute a judgment that the ’191 Patent qualifies for CBM review.” Opp. 12. Nor would it “result in the improper cancellation of a property right (Claim 24).” *Id.* 9. Secure Axxess would remain free to assert Claim 24 in future infringement proceedings; Petitioners and others would remain free to challenge the claim in a CBM petition; and the PTAB would remain free to decide whether that claim qualified for CBM review. Just as *Munsingwear* envisioned, vacatur would “clear[] the path for future relitigation” of these issues. 340 U.S. at 40. On the other hand, if the Federal Circuit’s judgment is *not* vacated, Petitioners would be precluded from raising their CBM challenge, as Secure Axxess concedes. Opp. 11-12. Applying *Munsingwear* is thus the only way to ensure that the mootness of the case “prejudic[es] none.” *Alvarez*, 558 U.S. at 94.

Secure Axxess offers no other reason for deviating from this Court’s “established practice” of vacating a judgment that becomes moot on appeal. *Munsingwear*, 340 U.S. at 39. The remainder of its opposition in fact confirms that vacatur is especially appropriate here. Failing to apply *Munsingwear* would not only prejudice Petitioners; it would leave in place a highly controver-

rect the entry of such appropriate judgment, decree, or order ... as may be just under the circumstances.”

sial decision on an issue of patent law that, as explained below, would almost certainly warrant this Court’s “time and intervention” (Opp. 13). *See infra* Part II.

II. IF THE CASE IS NOT MOOT, THE COURT SHOULD GRANT THE PETITION AND REVERSE

Secure Axxcess’ opposition concedes that the decision below adopted an interpretation of the statute that fundamentally altered the scope of CBM review. That interpretation is already deeply controversial—and, in Petitioners’ view, incorrect. This Court’s review is therefore warranted.

A. The Scope Of The CBM Program Is Undisputedly An Important Issue

The decision below squarely addressed the proper scope of CBM review. In Secure Axxcess’ view, the Federal Circuit correctly put an end to the PTAB’s practice of “misconstruing the CBM statute and granting review when it should not have.” Opp. 19; *see id.* 23-24. In Petitioners’ view, the Federal Circuit improperly narrowed the CBM statute and will therefore *prevent* review of patents that should fall within its scope. Pet. 18-20. In other words, both sides agree that the decision marked a turning point in the law with far-reaching implications for the patent system.

Indeed, both sides agree that the panel majority’s interpretation has already had a noticeable impact on the CBM program. Opp. 31. Secure Axxcess points out that the CBM institution rate, for example, has fallen from 55% to 41.9% since the panel decision. *Id.* 13-14, 19. Although it describes that statistical difference as minimal, it in fact represents a marked decline over a short of period of time, particularly given that CBM review is being sought by far fewer parties. *See* Clearing

House Amicus Br. 10. The sharp decline in the number of CBM petitions is plainly attributable to the Federal Circuit’s decision. As Clearing House points out, the PTAB relied on the panel decision in 19 of 22 decisions declining institution between February and early October, *id.*—a trend that surely discouraged parties from seeking review.

Furthermore, as the petition pointed out (at 18-19), the panel decision has altered the conduct of patent owners, who are now canceling patent claims that explicitly recite a “financial activity element” to avoid CBM review, while retaining and asserting *broader* independent claims that cover the same financial activities. *See, e.g., Twilio Inc. v. Telesign Corp.*, No. CBM2016-00099, Paper No. 13 (P.T.A.B. Feb. 27, 2017). Again, Secure Access concedes that this conduct is occurring; it simply disagrees with Petitioners’ assessment that this is a negative development. *See* Opp. 20 (“[I]f owners ... are canceling claims of their patents in light of the Federal Circuit’s clarification of the CBM-eligibility rules, isn’t the system working?”). Whether positive or negative, the selective cancellation of claims to dodge CBM review is undeniably significant and further underscores the importance of this Court’s review.

Secure Access attempts (at 21) to downplay the significance of the issue by noting that the CBM program is currently set to expire in late 2020. But hundreds of additional CBM petitions will likely be filed before the program ends (particularly if this Court corrects the distortion caused by the decision below). Moreover, any CBM reviews pending at the time the program expires will continue to final judgment. The Federal Circuit’s decision will therefore have implications for a great number of potentially invalid patents, even assuming the program sunsets as planned. And

notably, Congress has repeatedly considered the possibility of extending it. *See* Ltr. from Rep. Smith, Chairman of the H. Judiciary Comm., to Sens. Kyl, Schumer, Leahy, and Grassley, dated Sept. 8, 2011, *reprinted in* 157 Cong. Rec. 17,111-17,112 (explaining that Congress may “extend[] or mak[e] permanent [the CBM] program in the future”); *see also* H.R. Rep. No. 114-235, at 55-56 (2015) (considering proposed amendment). The sunset provision therefore does not detract from the importance of this Court conclusively resolving the proper scope of the statute.

B. The Panel’s Interpretation Is Contrary To The Statutory Text And The Purpose Of CBM Review

This Court’s review is also warranted because the panel majority, over a strong dissent, adopted an overly narrow interpretation of the statute that frustrates the purpose of CBM review.

As a textual matter, the statute applies to any “patent that claims a method or corresponding apparatus for performing data processing or other operations *used in* the practice, administration, or management of a financial product or service.” Leahy-Smith America Invents Act (AIA), § 18(d)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011) (emphasis added). The panel majority interpreted that language to cover only patents that include a “financial activity *element*” in the claims—*i.e.*, an express limitation in the claims to financial activity. Pet. App. 19a-20a. As the petition explained (at 16-17), the effect of that interpretation is to limit CBM review to patents that are “[*only*] used in” the financial services industry—a restriction that appears nowhere in the statute.

In its opposition, Secure Axxess seizes on the panel’s statement that a claim need not contain “particular talismanic words” in order to include a “financial activity element.” Opp. 24. But as Judge Lourie explained in dissent, that is precisely what the panel’s interpretation requires in practice. Pet. App. 149a. As long as a claim is drafted broadly enough to encompass *anything* other than financial products and services, it will not meet the panel’s definition of a CBM patent.

That interpretation greatly undermines Congress’s purpose in enacting the CBM program. Contrary to Secure Axxess’ contention (at 19), CBM review was not meant to be “a limited-scope review program ... target[ing] an isolated class of patents.” Rather, Congress intended the program to be used broadly to challenge the proliferation of business-method patents that were widely viewed as illegitimate. H.R. Rep. No. 112-98, at 54 (2011); *see also* 157 Cong. Rec. 9951 (2011) (statement of Rep. Crowley) (criticizing “nuisance patents used to sue legitimate businesses and nonprofit business organizations”). The panel majority’s interpretation runs counter to that purpose, guaranteeing that many invalid patents will evade CBM review simply because they do not expressly recite a financial element—even though, like Secure Axxess’ patent, the claims may cover, and the specification may contemplate, financial business methods. Congress did not intend that result, as the express language of the statute it enacted demonstrates. Indeed, one of the program’s sponsors repeatedly stated during the debates that “the scope of patents eligible for review under [the CBM] program is *not* limited to patents covering a specific financial product or service.” 157 Cong. Rec. 3417 (2011) (statement of Sen. Schumer) (emphasis added); *see also id.* at 13,190 (2011) (to qualify for CBM review,

“the patent need not recite a specific financial product or service”) (statement of Sen. Schumer).

The panel majority’s interpretation thus deprives businesses of the mechanism that Congress intended them to use when targeted by entities asserting poor business-method patents. Secure Access points to other AIA review mechanisms that can supposedly fill this void. Opp. 23. But neither *inter partes* review (IPR) nor post-grant review (PGR) can adequately substitute for the CBM program. A patent can only be invalidated in an IPR on two particular grounds—anticipation and obviousness based on printed publication prior art. Business-method patents, however, are often subject to invalidation for other reasons—including, for example, subject-matter ineligibility under 35 U.S.C. § 101. PGR proceedings are even less adequate. A party may only petition for PGR within nine months of the date the patent was issued—and even then, only with respect to patents with effective dates *after* March 16, 2013. Pet. App. 150a. One important reason Congress created CBM review, however, was to correct the “the issuance of poor business-method patents during the late 1990’s through the early 2000’s.” H.R. Rep. No. 112-98, at 54. All those patents are immune to PGR.

Secure Access thus fails to reconcile the panel’s interpretation with either the statutory text or congressional intent. If the Court declines to vacate the judgment under *Munsingwear*, it should grant the petition and reverse the judgment below.

CONCLUSION

The petition for a writ of certiorari should be granted and the judgment below vacated and remanded with instructions to dismiss. Alternatively, the petition should be granted and the judgment below reversed.

Respectfully submitted.

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NOVEMBER 2017