

No. _____

In The
Supreme Court of the United States

—◆—

FAST 101 PTY. LTD.,

Petitioner,

v.

CITIGROUP INC. AND CITIBANK, N.A.,

Respondents.

—◆—

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—

PETITION FOR A WRIT OF CERTIORARI

—◆—

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QUESTIONS PRESENTED

Section 101 of the Patent Act allows inventors to obtain patents on “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” To determine whether claimed subject matter is patent eligible under Section 101, courts apply the two-step framework enumerated in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208, 218 (2014) (the “*Alice/Mayo*” Test).

Retired Judge Michel stated, regarding the need for 101 reform, “If I, as a judge with 22 years of experience deciding patent cases on the Federal Circuit’s bench, cannot predict outcomes based on case law, how can we expect patent examiners, trial judges, inventors and investors to do so?” Testimony of Hon. Paul R. Michel, The State of Patent Eligibility in America, Part I: Hearing Before the Subcommittee on Intellectual Property of the S. Comm. on the Judiciary, 116th Cong. 2 (June 4, 2019).

Although the Petitioner’s invention satisfies both steps of the *Alice/Mayo* Test, a new test is proposed herein.

The questions presented are:

1. When analyzing patent claims for subject matter eligibility “as a whole,” does a court need to evaluate the differences between prior art allegations and the alleged inventive concept in order to fully appreciate the claim language selected by the patent drafter?

QUESTIONS PRESENTED – Continued

2. When the plaintiff alleges either that the claims are “directed to” an “improvement” or that the “inventive concept” is found in an “ordered combination” of claim elements, do the relevant steps of the *Alice/Mayo* Test become questions of fact because a technical analysis of prior art is required, thus precluding a 12(b)(6) dismissal?

3. Whether it is appropriate for a court to dismiss a complaint (and thus invalidate *all* asserted patents) using Rule 12(b)(6) without amendment to the complaint or oral argument by making factual findings and rejecting the plaintiff’s detailed factual assertions inconsistent with *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007).

CORPORATE DISCLOSURE STATEMENT

The parent corporations or publicly held companies that own ten percent or more of the stock of Fast 101 Pty. Ltd. are:

Aavasan Pty. Ltd.; and

W & B Duncan Investments Pty. Ltd. as trustee on behalf of the William Duncan Family Trust.

RELATED PROCEEDINGS

The following proceedings are directly related to this case within the meaning of Rule 14.1(b)(iii):

- *Fast 101 Pty. Ltd. v. Citigroup Inc. et al.*, Case No. 1:19-cv-01819-RGA (D. Del.), judgment entered on January 30, 2020; and
- *Fast 101 Pty. Ltd. v. Citigroup Inc. et al.*, Case No. 20-1458 (Fed. Cir.), judgment entered on November 25, 2020.

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The Federal Circuit’s opinion (App. 1-8) is reported at 834 Fed. Appx. 591. The opinion of the District Court granting the motion to dismiss (App. 9-23) is reported at 424 F. Supp. 3d 385.



JURISDICTION

The Federal Circuit entered judgment on November 25, 2020. App. 1-8. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1). On March 19, 2020, the Court extended the time to file a petition for a writ of certiorari to 150 days from the date of the lower-court judgment, order denying discretionary review, or order denying a timely petition for rehearing. That order extended the deadline for filing this petition to April 24, 2021.



STATUTORY PROVISIONS INVOLVED

Section 101 of Title 35 of the U.S. Code 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.”

Section 112 of Title 35 of the U.S. Code provides in the relevant parts that:

“(a) In General. The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . . .

(b) Conclusion. The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”

Section 282(a) of Chapter 35 of the Patent Act provides:

“(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.”

Rule 12(b) of the Federal Rules of Civil Procedure provides:

“Every defense to a claim for relief in any pleading must be asserted in the responsive pleading if one is required. But a party may assert the following defenses by motion:

...

(6) failure to state a claim upon which relief can be granted; and

...”

Rule 15(a)(2) of the Federal Rules of Civil Procedure provides:

(2) Other Amendments. In all other cases, a party may amend its pleading only with the opposing party’s written consent or the court’s leave. The court should freely give leave when justice so requires.



INTRODUCTION

“It is a bedrock principle of patent law” that “the claims of a patent define the invention.” *Innova/pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004). This Court agrees, “The claims made in the patent are the sole measure of the grant.” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 339 (1961). “The rights of the plaintiff [patentee] depend upon the claim in his

patent, according to its proper construction.” *McClain v. Ortmyer*, 141 U.S. 419, 424 (1891).

However, time and again courts have disregarded the patent drafter’s specifically-selected claim language in favor of abridging claims to a shorthand description of an underlying abstract concept. Hence, § 101 review begins not by analyzing the elements of the claim, but rather by looking at the character of the claims “as a whole,” distilling the patent’s entire set of claims into their “heart” – a truncated phrase that removes nearly all distinctive claim features leaving nothing more than a *residue* bearing little resemblance to the claim language chosen by the patent drafter. The patent is then probed for an “inventive concept,” indeed, a “transformative” inventive concept, in only partial consideration of the patent drafter’s carefully selected claim language.

Despite claims being written in the form of a single sentence, the Federal Circuit requires the (truncated) “abstract idea” and “inventive concept” to be separate. Riedinger, Jerry A., “*The ‘Essence’ of an Invention Is as Important as the Claims*,” *Landslide*, Vol. 13, No. 2 (November/December 2020).

This “abstract residue” approach undermines decades of anticipation and obviousness law, as well as what is needed to prove literal infringement, which are *all* founded on consideration of *every single* claim element and limitation. Indeed, § 101 is a shortcut that allows patents to be invalidated at the pleading stage, often without any claim construction determining

the meaning – or importance – of individual claim elements. This “abstract residue” approach gives courts the ability to ignore the plethora of terms, phrases, and other limitations in the claims by recasting the claims as “directed to” an abstract idea. Once the baggage of multiple limitations is cast aside and the claims are reduced to a suitably simple idea, little effort is required to declare an absence of an inventive concept, a result that is achieved with far less effort than if every claim limitation were considered. *Id.*

Not just individual claim limitations are ignored and distilled into an “abstract residue,” § 101 law also allows a single claim to be “representative” of every other claim in a patent, in disregard of the long-standing principle that different claims have separate meanings. If the representative claim is found to lack an inventive concept, then that one claim’s deficiency invalidates *all other* disputed claims. Claims are not just secondary in § 101 law, but often irrelevant. *Id.*

To add insult to injury, the patentee’s own patent infringement complaint actually becomes a vehicle for a court to determine that a claim is directed to an abstract idea. In distilling an invention into language readable by someone not skilled in the art, the litigation team is forced to combine many specially-selected claim terms which the court can then use to form its “abstract residue.” It’s fighting abstraction with abstraction.

This Court warned to “tread carefully in construing this exclusionary principle lest it swallow all of

patent law. At some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’ Thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept.” *Alice Corp.*, 573 U.S. at 217.

Any § 101 analysis failing to focus on the differences between the prior art and the inventive concept will be deficient. Riedinger, Jerry A., “*The ‘Essence’ of an Invention Is as Important as the Claims*,” *Landslide*, Vol. 13, No. 2 (November/December 2020).

Thus, in order to properly analyze a claim for subject matter eligibility, a court must understand the prior art to appreciate why the patent drafter chose the specific claim language they did when drafting the claims and negotiating amendments to the claims with the patent examiner. *Id.*

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STATEMENT OF THE CASE

A. Legal Background of 35 U.S.C. § 101

In *Parker v. Flook*, the claims were drawn to a method for computing an “alarm limit.” 437 U.S. 584 (1978). An “alarm limit” is simply a number and the Court concluded that the application sought to protect a formula for computing this number. Using this formula, the updated alarm limit could be calculated if several other variables were known. The application, however, did not purport to explain *how* these other

variables were to be determined, nor did it purport “to contain any disclosure relating to the chemical processes at work, the monitoring of process variables, or the means of setting off an alarm or adjusting an alarm system. All that it provides is a formula for computing an updated alarm limit.” *Id.* at 586.

In *Diamond v. Diehr*, the patentee claimed an improved rubber curing process, and one of the steps included a mathematical algorithm. 450 U.S. 175, 177-178 (1981). The Court found the invention patent eligible under Section 101 even though “in several steps of the process a mathematical equation and a programmed digital computer are used,” because the patent holder sought “only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process.” *Id.* at 185, 187. “Obviously,” the Court observed, “one does not need a ‘computer’ to cure natural or synthetic rubber, but if the computer use incorporated in the process patent significantly lessens the possibility of ‘overcuring’ or ‘undercuring,’ the process as a whole does not thereby become unpatentable subject matter.” *Id.* at 187. The Court warned that “[i]t is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis.” *Id.* at 188. The “claims must be considered as a whole.” *Id.* And *as a whole*, the claims at issue were patent eligible.

When the Court next addressed the “abstract idea” exception to Section 101, the patent system had become bloated by an explosion of “business-method”

patents. These patents generated an enormous increase in patent litigation with corresponding consumption of litigant and court resources. Thus, in *Bilski v. Kappos*, the Court revisited Section 101 and affirmed that business methods can be patentable subject matter but the *Bilski* claims are not directed to a patentable process but rather attempts to patent abstract ideas. 561 U.S. 593 (2010). The *Bilski* claims covered unpatentable abstract ideas, just like the algorithms at issue in *Flook*. There, the Court held that a “business method” patent “that explains how buyers and sellers of commodities in the energy market can protect, or hedge, against the risk of price changes” fell “outside of § 101 because it claims an abstract idea.” *Id.* at 599, 609. The court held that limiting an abstract idea to one field of use or adding token post-solution components did not make the concept patentable. *Id.* at 610-611.

The Court returned to the Section 101 exceptions two years later in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012). The claims in *Mayo* “purport[ed] to apply natural laws describing the relationships between the concentration in the blood of certain thiopurine metabolites and the likelihood that the drug dosage will be ineffective or induce harmful side-effects.” *Id.* at 72. These claims fell short of patentability. The claims simply “inform[ed] a relevant audience about certain laws of nature; any additional steps consist of well-understood, routine, conventional activity already engaged in by the scientific community; and those steps, when viewed as a whole,

add nothing significant beyond the sum of their parts taken separately.” *Id.* at 79-80.

The claimed invention in *Alice* involved “a computer-implemented scheme for mitigating ‘settlement risk’ (i.e., the risk that only one party to a financial transaction will pay what it owes) by using a third-party intermediary.” *Id.* at 212. Applying “*Mayo*’s framework,” *id.* at 221, the Court unanimously invalidated the patents, holding that:

Viewed as a whole, these method claims simply recite the concept of intermediated settlement as performed by a generic computer. They do not, for example, purport to improve the functioning of the computer itself or effect an improvement in any other technology or technical field. An instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is not “enough” to transform the abstract idea into a patent-eligible invention. *Id.* at 210.

In the course of discussion, the Court reaffirmed *Diehr* and its dividing line between claims incorporating abstract ideas and claims of abstract ideas themselves. The Court recognized that “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Id.* at 217 (quoting *Mayo*, 566 U.S. at 71). The Court explained that “an invention is not rendered ineligible for patent simply because it involves an abstract concept.” *Id.* The Court further explained that there is a distinction between “patents that claim the ‘building

blocks’ of human ingenuity,” i.e., those claiming an abstract idea, which are not patent eligible, “and those that integrate the building blocks into something more, thereby transforming them into a patent-eligible invention.” *Id.* (quoting *Mayo*, 566 U.S. at 89).

B. Patents-in-Suit

This case involves 5 patents: U.S. Patent Nos. 8,515,867 (the ’867 patent), 8,660,947 (the ’947 patent), 8,762,273 (the ’273 patent), 9,811,817 (the ’817 patent) and 10,115,098 (the ’098 patent) (collectively, the “Patents-in-Suit”). Of the 234 claims asserted in this case, there are 15 independent claims.

C. Proceedings Below

1. The District Court’s Decision

Petitioner filed its Complaint on September 27, 2019. App. 24-46. Respondents Citigroup Inc. and Citibank, N.A. (collectively, “Respondents” or “Citibank”) filed a motion to dismiss pursuant Fed. R. Civ. P. 12(b)(6) on December 23, 2019.

Petitioner filed an opposition on January 3, 2020, and Respondents filed a reply on January 10, 2020. In its opposition, Petitioner requested leave to amend to allege further facts and claim constructions. App. 8.

The district court granted Respondents’ motion without oral argument on January 30, 2020. App. 9-23.

In applying the *Alice/Mayo* Test, the district court only looked at Claim 1 of the '867 Patent. App. 11-12. The district court first held that the Patents-in-Suit were drawn to the alleged abstract idea of “calculating an amount based on fiscal attributes.” App. 17. The district court then held that the claims of the Patents-in-Suit did not contain an inventive concept because the claims were limited to “providing a discount based on early payment and a customer’s credit rating.” App. 18.

The district court made this finding despite the fact that the claims require both a stored (authorized) order amount and an improved “payment gateway,” *a specific technical device not present in the prior art*. The improved payment gateway transfers an early discount payment (based on the stored order amount and the customer’s credit standing) to the supplier on a first date and receives a customer payment on a second date. App. 28-29, p. 19. App. 32, p. 29.

Further, despite Petitioner’s assertion that the claims recite the inventive concept which is implemented through a specific ordered combination of components including “infrastructure at a settlement bank that electronically receives payment authorization from the customer and electronically transmits payment to the supplier on specific dates . . . ” (App. 28-29, p. 19. App. 32, p. 29.) and further, despite Section 112 already requiring every patent specification to sufficiently show how to make and use the claimed invention, the district court imbued Section 101 with those same requirements and held that no inventive concept

exists because the claim does not provide enough detail for *how* the invention is accomplished. App. 17.

Despite specific allegations of *technical* improvements (*improved gateway, infrastructure at a settlement bank to receive and process a payment authorization, etc.*) (App. 28-29, p. 19. App. 32, p. 29), the district court focused on a *benefit* of the system (encouraging participation in electronic trading systems) and concluded that because the benefit was *not technical*, there was no improvement that would comprise an inventive concept. Thus, the district court did not consider all of the improvements detailed in the complaint.

The district court then held, based on Respondents' chosen "representative" claim, that *all* claims of *all* Patents-in-Suit were ineligible under Section 101 and dismissed Petitioner's complaint without leave to amend. App. 11-12.

Despite Petitioner's allegations of unconventional-ity due to the ordered combination of components (App. 28-29, p. 19. App. 32, p. 29), the district court did not consider the first half of the claim beyond it having "generic" components.

The district court refused leave to amend the complaint because amendment would be "futile where the claims describe implementation of a business transaction using conventional computer technology."

2. The Federal Circuit's Decision

In order to demonstrate the technological improvements listed in the complaint, Petitioner included Claim 12 of the '098 Patent in its appeal to the Federal Circuit. There is no evidence in the Federal Circuit's decision that this claim was even considered.

The Federal Circuit added an additional component to the *Alice/Mayo* Test – saying that each step of the *Alice/Mayo* Test should be considered “as a whole.” App. 6.

The Federal Circuit affirmed, holding that the claims (as asserted by the defendants) “like *Alice*, describe a method of exchanging financial obligations between two parties by the use of a third-party intermediary” and also recite an “incentive amount,” both abstract ideas. The Federal Circuit stated that, “[W]e agree with the district court's further finding that this incentive amount, or discount describes *nothing more* than the abstract idea of calculating an amount based on fiscal attributes.” App. 6.

Despite Petitioner's allegations of unconventionality due to the ordered combination of components (App. 28-29, p. 19. App. 32, p. 29), the Federal Circuit agreed with the district court that for the “inventive concept” inquiry, “the claims refer to *nothing more* than well-understood, routine, and conventional technology components” and the gateway is *nothing more* than “conventional, commercially-available browsers and products.” App. 7-8.

Again, despite specific allegations of *technical* improvements (gateway, infrastructure at a settlement bank to receive and process a payment authorization, etc.) (App. 28-29, p. 19. App. 32, p. 29), the Federal Circuit also only focused in on *benefits* of the system (increased cash flow, cost reduction through automation . . .) and concluded that there were no improvements in the function of prior art *technology*. App. 7.

Despite Petitioner's allegations of unconventional-ity due to the ordered combination of components (App. 28-29, p. 19. App. 32, p. 29), the Federal Circuit affirmed and held that the district court did not abuse its discretion denying leave to amend because Petitioner had not identified with any specificity any factual allegations or claim constructions that would render amendment not futile. App. 8.

For the reasons stated below, Fast 101 now respectfully petitions this Court for certiorari.



REASONS FOR GRANTING THE PETITION

The Court should grant this petition for the following reasons:

I. The entire patent community is calling for guidance and clarity in determining patent claim subject matter eligibility under 35 U.S.C. § 101.

Numerous legal commentators and judges have stated that case law under Section 101 is a confusing mess. Malak, Emil, *A Plea for Clarity and a New Approach on Section 101 in 2020*, IP Watchdog (Jan. 4, 2020). For example, in *Interval Licensing, LLC*, Judge Plager’s dissent frankly summarizes the courts’ *Alice* jurisprudence as “useless,” “an abstract (and indefinable) doctrine,” “unworkable,” an “intellectual morass,” and “incoherent,” among other things. No. 16-2502 (Fed. Cir. 2018). In his critique, Judge Plager cited other leading judges who had spoken out about the Section 101 mess, including Judge Lourie, who had elsewhere stated “the law needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are Section 101 problems.” *Id.* at 11.

Retired Chief Judge Michel, who sat for 22 years on the Federal Circuit, made a stunning statement in testimony to Congress about the urgent need for Section 101 reform:

In my view, recent cases are unclear, inconsistent with one another and confusing. I myself cannot reconcile the cases. That applies equally to Supreme Court and Federal Circuit cases. Nor can I predict outcomes in individual cases with any confidence since the law keeps changing year after year. If I, as a judge

with 22 years of experience deciding patent cases on the Federal Circuit’s bench, cannot predict outcomes based on case law, how can we expect patent examiners, trial judges, inventors and investors to do so? Testimony of Hon. Paul R. Michel, The State of Patent Eligibility in America, Part I: Hearing Before the Subcommittee on Intellectual Property of the S. Comm. on the Judiciary, 116th Cong. 2 (June 4, 2019).

Indeed, when very experienced judges can’t figure out Section 101 jurisprudence, what hope do ordinary people have, including those who wish to invest in technological innovations?

Simply put, every patent case involving Section 101 is now an arbitrary, “litigation gamble.” *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, No. 2018-1763, 9 (Fed. Cir. July 31, 2020) (Newman, J., dissenting from denial of rehearing *en banc*). This comes with terrible consequences. It is “destroying the ability of American businesses to invest with predictability.” *Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, Case No. 2018-1763, 2 (Fed. Cir. October 23, 2020) (Moore, J., concurring in denial of motion to stay.).

Recently, the United States filing as Amicus Curiae indicated that “the confusion created by this Court’s recent Section 101 precedents warrants review.” Brief for the United States as Amicus Curiae, *Hikma Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals Inc.*, No. 18-817, at 8 (Filed Dec. 6, 2019). The United States observed that “[i]f an invention’s dependence on one of those [ineligible] concepts were

fatal, untold numbers of innovations would be patent-ineligible.” *Id.* at 18 (quoting *Mayo*, 566 U.S. at 71).

The Federal Circuit has expressed a similar concern, noting that “[t]he ‘directed to’ inquiry . . . cannot simply ask whether the claims involve a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical products and actions involves a law of nature and/or natural phenomenon – after all, they take place in the physical world.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016).

The Court invited the Solicitor General to file a brief in *HP Inc. v. Berkheimer*, No. 18-415 (cert. denied, 2020). The Solicitor General acknowledged the acute need for the Court’s review of a Section 101 case. *HP Inc. v. Berkheimer*, Brief for the United States at 9-10 (December 6, 2019). However, the HP case was not the appropriate case. Instead, the Solicitor General recommended: “The Court should grant review in an appropriate case to clarify the substantive Section 101 standards and then address any ancillary issues that remain.” *Id.* at 10.

II. The Federal Circuit repeatedly erred by *ignoring* the substantive allegations in the complaint while applying the *Alice/Mayo* Test and in denying leave to amend.

A. *Alice/Mayo* Test

To determine whether claimed subject matter is patent eligible under Section 101, courts apply the

two-step framework enumerated in *Alice*. Courts first determine whether the claims at issue are “directed to” a patent-ineligible concept, such as an abstract idea. If so, courts examine the elements of the claim to determine whether the claim contains an “inventive concept” sufficient to transform the claimed abstract idea into a patent-eligible application. At each step, the claim elements should be considered as a whole. App. 6.

Step 1 – “Directed to”

The Federal Circuit determined that the claims were “directed to” “the abstract idea of an intermediated settlement system that employs a discount for early payment. . . . [L]ike *Alice*, these claims describe a method of exchanging financial obligations between two parties by the use of a third-party intermediary.” App. 6. The Federal Circuit acknowledged that the claims recite a term *Alice* did not – an “incentive amount.” *Id.* The Federal Circuit determined that “the incentive amount . . . describes *nothing more* than the abstract idea of calculating an amount based on fiscal attributes.” App. 6-7. The Federal Circuit thus *disregarded* most of the claim including the components of the system (or steps of the process) that are required to enable the calculation to be based on the fiscal attributes of the customer.

The complaint alleges that the claims are “directed to” both a system and improvements. The

relevant allegations in the complaint include that the claims are:

- “**directed to . . . a specific system** involving bank servers, a database for storing unique order amounts, processors to determine incentive amounts based on various factors, and a specially-designed and unique payment gateway, all of which work in concert to implement [the] novel incentive-based invoicing system.” App. 28, p. 17.
- “**directed toward specific, unconventional improvements** in the technical field of electronic invoicing and payment” App. 27, p. 16.
- “**directed to specific technological improvements in a technical field**” App. 32, p. 27.

The complaint alleges that the improvements are as follows:

- The incentive **system** is implemented through a specific, **ordered combination of electronic components and communication protocols**, again marking significant **improvements** on existing technical systems. The **ordered combination** of components include:
 - An **improved electronic gateway**. App. 28-29, p. 19. App. 31, p. 23. App. 32, p. 29.
 - **Infrastructure** at a settlement bank that electronically receives payment **authorization** from the customer and electronically transmits payment to the supplier on specific dates **while processing and**

applying the incentive system. App. 28-29, p. 19. App. 32, p. 29.

- The **ordered combination** of components is illustrated in Figure 1A of the Patents-in-Suit:

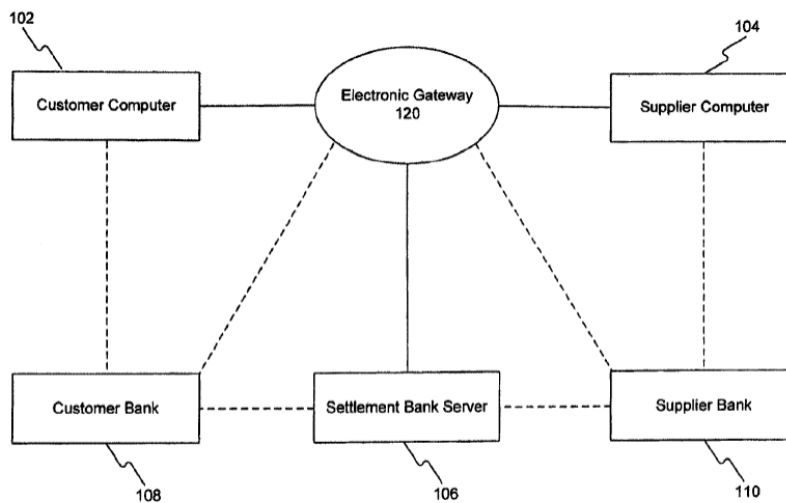


FIG. 1A

App. 29, p. 20.

Therefore, the complaint, taken as true, as demonstrated above, shows that the claims are *actually not* directed to an abstract idea and thus, fall within the permissible statutory subject matter set forth in 35 U.S.C. § 101.

Step 2 – “Inventive Concept”

Despite the complaint’s insistence that the gateway is “specially designed,” “unique,” (App. 28, p. 17) and “a technical improvement to the functioning of the

system” (App. 32, p. 27), and the improvements include the “ordered combination of components and communication protocols” (App. 28-29, 31, 32), the Federal Circuit lazily determined that the claims refer to “*nothing more* than well-understood, routine, and conventional technology components” and that “the claimed gateway cannot be construed as specialized in any sense.” The Federal Circuit went on to say that the ’867 Patent’s written description “demonstrates an understanding that the gateway is *nothing more* than commercially-available browsers and products.” App. 7-8.

Despite the Federal Circuit’s clear precedent that the question of “[w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination,” the district court ignored Petitioner’s well-pled factual allegations and improperly rendered factual findings. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1369 (Fed. Cir. 2018), cert. denied, 140 S.Ct. 911, 205 (Jan. 13, 2020).

In finding that the gateway is “*nothing more* than commercially-available browsers and products,” the Federal Circuit *ignored* the allegations in the complaint and patent specification.

The complaint stated that,

“The gateway technology, as detailed in the specification, facilitates a beneficial transaction allowing the bank computer equipment to implement an incentive system that facilitates the invoicing and payment process, creating significant technical improvements over

existing technology. This is realized via a specific, ordered combination of technical components configured to perform specific steps and functions within the transaction.” App. 32, p. 29.

The specification stated that, “An example of an electronic gateway suitable for practicing methods and systems consistent with the present invention is the AT&T INTERCOMMERCE Gateway . . . ” App. II, 11, 3:66-4:3. If amendment to the complaint is allowed, Fast 101 would be able to show that the AT&T prior art gateway only operated B2B (between a customer and a supplier). In working under confidentiality with the inventor, AT&T developed the INTERCOMMERCE gateway to implement the invention. To be clear, the district court made ***an incorrect finding of fact*** and refused amendment and oral argument that would have been able to correct it. Further, the complaint and the patent provide limitations of prior art. App. II, 10, 1:31-2:5.

A finding of “*nothing more*” is a factual finding. *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, No. 2018-1763, 23 (Fed. Cir. July 31, 2020) (Moore, J., dissenting). Factual findings are inappropriate on a motion to dismiss. *Coda Development S.R.O. v. Goodyear Tire & Rubber Co.*, Case No. 18-1028 (Fed. Cir. Feb. 22, 2019) (reversing a 12(b)(6) dismissal and holding that the district court erred in using judicial notice to do fact-finding outside the pleadings). The Federal Circuit in *Coda Development* also remarked that the district court should have freely offered Coda

an opportunity to amend its complaint and that its refusal to do so was “troubling.” *Id.*

The “as a whole” standard cited by the Federal Circuit in this case, requires that the court “considers the elements of each claim both individually and as an ordered combination to determine whether the claim elements other than the abstract concept “transform the nature of the claim into a patent-eligible application.” *Alice Corp.*, 573 U.S. at 218 n.3 (quoting *Mayo*, 566 U.S. at 79-80). A cursory finding that the claims contain “*nothing more*,” without any discussion regarding the alleged “ordered combination” of components and communication protocols, demonstrated that the Federal Circuit did not follow the “as a whole” standard.

The complaint alleges that the “inventive concept” is both the “ordered combination” of components and communication protocols and “improvements” on technical systems.” App. 28-29, p. 19. App. 31, p. 25. App. 32, p. 29. The relevant allegations in the complaint are as follows:

- In addition, the claims recite an **inventive concept**. The incentive system is implemented through a specific, **ordered combination** of electronic components and communication protocols, again marking significant **improvements** on existing technical systems. These components include:

- An **improved** electronic gateway. The gateway technology, as detailed in the specification, facilitates a beneficial transaction allowing the bank computer equipment to implement an incentive system that facilitates the invoicing and payment process, creating significant technical improvements over existing technology. This is realized via a specific, **ordered combination** of technical components configured to perform specific steps and functions within the transaction. App. 28-29, p. 19. App. 31, p. 23. App. 32, p. 29.
- Infrastructure at a settlement bank that electronically receives payment authorization from the customer and electronically transmits payment to the supplier on specific dates while processing and applying the incentive system. App. 28-29 p. 19. App. 32, p. 29.
- The **ordered combination** of components is illustrated in Figure 1A of the Patents-in-Suit:

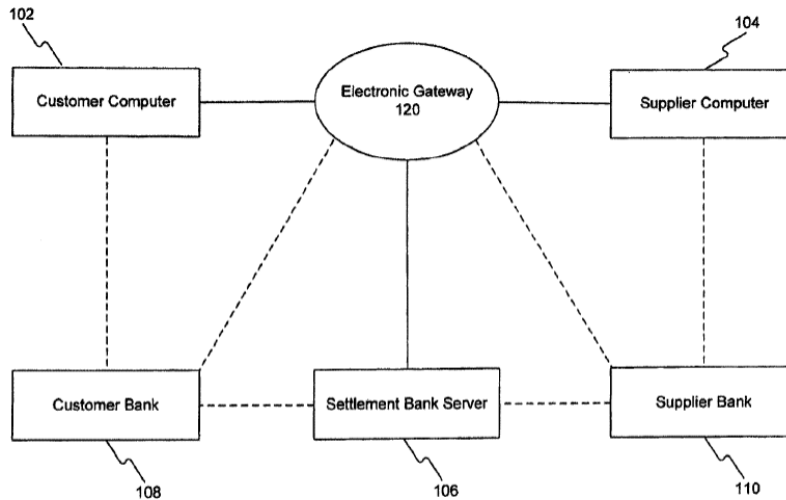


FIG. 1A

App. 29, p. 20.

- The **inventive concept** in this **ordered combination** includes *using electronic systems to improve electronic commerce through incentive systems*. App. 31, p. 25.

Furthermore, it is well-settled that improvements to the functioning of prior art technical systems constitute inventive concepts that establish patent eligibility under Section 101. See, e.g., *SRI Int'l, Inc. v. Cisco Systems, Inc.*, 930 F.3d 1295, 1300 (Fed. Cir. 2019); *Ancora Techs., Inc. v. HTC America, Inc.*, 908 F.3d 1343, 1344 (Fed. Cir. 2018). Thus, a cursory finding that the claims contain “*nothing more*,” without any discussion of the prior art, the alleged improved system, or alleged ordered combination of components and communication protocols, demonstrate that the Federal Circuit did not analyze the improvements.

The claims, the complaint, and the Patents-In-Suit explain that the inventive concept is basically a three-step process implemented using an improved, specialized electronic gateway. First, data relating to the authorization/payment message is received and stored. The storage of that data authorizes the bank to debit or receive the order amount on a future date. With the authorization to get paid on the future date, the bank can pay an early/immediate payment to the supplier based on the credit standing of the customer. Thus, stored data relating to the payment message/authorization is transformed into two physical payments. App. 28-29, p. 19, App. 32, p. 29.

Fast 101 is not claiming a method for calculating a discount based on the customer's credit standing. It is, however, claiming a system for storing and processing a payment message (authorization) *so that* the early payment *can be based* on the customer's credit standing.

B. Leave to Amend

The district court ignored numerous substantive allegations in the complaint (as detailed in section II-A above) and refused leave to amend the complaint because amendment would be “futile where the claims describe implementation of a business transaction using *conventional* computer technology.” App. 23. The Federal Circuit also denied leave to amend because “Fast 101 has not identified with specificity any additional factual allegations or claim constructions that

would render amendment and discovery not futile.” App. 8.

“A district court should freely give leave to amend a complaint when justice so requires.” *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1126 (Fed. Cir. 2018) (quoting FRCP R 15(a)(2)).

The Patents-in-Suit relate to underlying agreements between a customer, a supplier, and a bank.¹ The claimed computer system is the physical embodiment (made by man) of the underlying agreements. App. II, p. 12 5:11-18. Storage and processing of a new payment message facilitates the two money transfers. Upon that storage, a bank (a third party to the order) can use that payment message to immediately pay (give money to) a supplier discounted amount for the order based on the large customer’s credit standing – which is a better rate than a supplier could get on its own. App. II, p. 12 5:22-36.

The district court inappropriately simplified the claims: “The claims recite a system to: (1) receive an order from a customer, (2) store the order, (3) determine a discount, (4) pay a supplier a discounted amount from a fund provider, and (5) receive customer payment at a later date.” App. 12.

¹ See Claim 14 in '098 Patent – 14. The system of claim 12, further comprising storage to store a record of an agreement between a bank and the customer, wherein the record comprises information related to the one or more fiscal attributes of the customer.

Thus, the district court *disregarded* the existence of, and interaction between, the payment message and the gateway. It is the storage and processing of the payment message that enables the gateway to allow the two money transfers. App. II, p. 13 7:4-8:12. The district court determined that the “the gateway was *“nothing more than conventional available browsers and products”* App. 7-8.

“Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination,” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1369 (Fed. Cir. 2018), cert. denied, 140 S.Ct. 911, 205 (Jan. 13, 2020).

Factual findings are inappropriate on a motion to dismiss. *Coda Development S.R.O. v. Goodyear Tire & Rubber Co.*, Case No. 18-1028 (Fed. Cir. Feb. 22, 2019) (reversing a 12(b)(6) dismissal and holding that the district court erred in using judicial notice to do fact-finding outside the pleadings). The Federal Circuit in *Coda Development* also remarked that the district court should have freely offered Coda an opportunity to amend its complaint and that its refusal to do so was “troubling.” *Id.*

Further, “when ruling on a defendant’s motion to dismiss, a judge must accept as true all of the factual allegations contained in the complaint.” *Erickson v. Pardus*, 551 U.S. 89, 93-94 (2007) (citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007)). The complaint alleged that the “payment gateway” should be construed as “a specially-designed and unique payment gateway.”

App. 29-30. The district court determined that such construction was “implausible.” App. 20.

III. The Federal Circuit’s improper expansion of the non-textual exceptions to Section 101 is in conflict with this Court’s precedent and the patent statutes.

A. Misapplication of *Diehr*

In *Diehr*, the Court observed that, “Obviously, one does not need a ‘computer’ to cure natural or synthetic rubber, but if the computer use incorporated in the process patent significantly lessens the possibility of ‘overcuring’ or ‘undercuring,’ the process as a whole does not thereby become unpatentable subject matter.” *Id.* at 187.

Similarly, Fast 101’s computer use (i.e., computer infrastructure to store and process a customer’s payment message/authorization to pay a discounted payment and debit an order amount) is necessary to enable the bank to be able to immediately pay a discounted payment to the supplier based on the customer’s credit standing. That is, the stored payment message/authorization (data) enables the supplier to get a larger (based on the customer’s, not supplier’s, credit standing) and faster early payment.

In *Diehr*, the Court warned that “[i]t is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis.” *Id.* at 188. The “claims must be considered as a whole.” *Id.*

Here, the lower courts both concluded that the abstract idea included the early payment discount based on fiscal attributes of the customer – thus, it assumed it was prior art. The lower courts also concluded that the rest of the claim was entirely composed of conventional components operating in a conventional manner. The lower courts did not consider the interaction between the two findings – that the stored authorization (from a customer) enabled/yielded a larger (based on the customer’s, not supplier’s, credit standing) and faster early payment.

B. Incorporation of 35 U.S.C. § 112 into 35 U.S.C. § 101 Analysis

For step 2 of the *Alice/Mayo* Test, the “inventive concept,” the Federal Circuit held that, “Just as the district court concluded, the claims refer to *nothing more* than well-understood, routine, and conventional technology” and the gateway is “*nothing more* than conventional commercially-available browsers and products.” App. 7-8. Similarly, the district court held that the patents “describe an incentive system designed to encourage customer and supplier participation in existing trading and settlement systems” (a benefit, not a technical improvement of the system) but “do not claim a particular improvement in how this is done.” App. 17.

Both holdings point to the possibility of an enablement test being applied to the claims within a Section 101 analysis. This is an issue in the currently pending

case *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC, et al.*, No. 20-891 (filed December 28, 2020). *American Axle* explained that, “the problem is that Section 112[(a)] already requires every patent specification to sufficiently teach those skilled in the art how to make and use the claimed inventions.” *Id.* at 22. “The basic test for enablement is whether one of ordinary skill in the art could not practice [the claims’] full scope without undue experimentation.” *Wyeth & Cordis Corp. v. Abbott Labs.*, 720 F.3d 1380, 1384 (Fed. Cir. 2013). Although enablement is ultimately a question of law, the Federal Circuit has recognized that there may be underlying factual issues involved. *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524 (Fed. Cir. 1987).

In an evenly divided panel rehearing at the Federal Circuit, in Judge Moore’s dissent, she explained how the majority imbued Section 101 with the enabling disclosure requirement of § 112 to create a new defense, “Enablement on Steroids.” *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC, et al.*, No. 2018-1763, 23 (Fed. Cir. July 31, 2020) (Moore, J., dissenting). This “blended 101/112 defense is confusing, converts fact questions into legal ones and eliminates the knowledge of a skilled artisan.” *Id.* The “Nothing More Test,” as explained in *American Axle*, is a “model of the Federal Circuit’s divide on Section 101.” The Federal Circuit denied rehearing *en banc* in a 6-6 split decision thus reaffirming the confusion and not making a decision as to whether a new test was formed or not. *American Axle & Manufacturing, Inc. v. Neapco*

Holdings LLC, et al., No. 20-891, 14 n.4 (filed December 28, 2020).

Moreover, in *American Axle*, the Nothing More Test was applied to step 2 of the *Alice/Mayo* Test, whereas in the present case, the Nothing More Test was applied in *both* steps. So now, the problem appears to be getting worse.

Presumably though, the district court was just admitting that it did not understand the invention.

How the invention is accomplished is precisely what is claimed. The purpose of a claim is to particularly point out and distinctly claim the subject matter which the applicant regards as his invention. 35 U.S.C. § 112(b).

The claims, the complaint, and the Patents-In-Suit explain that the inventive concept is basically a three-step process. First, data relating to the authorization/payment message is received and stored. The storage of that data authorizes the bank to debit or receive the order amount on a future date. With the authorization to get paid on the future date, the bank can pay an early/immediate payment to the supplier based on the credit standing of the customer.

The claimed system accomplishes the benefits of the system by:

- Increased participation –
 - by giving suppliers an early payment at the credit standing of the customer (not

the supplier), the supplier will receive a larger early payment, thus the suppliers are encouraged to use the system. App. II, 11, 4:28-33, App. II, 11, 4:42-47.

- by giving the banks the ability to earn interest on these low-risk early payments, banks are encouraged to use the system. The system reduces risk by using the authorization to guarantee the payment from the large customer. App. II, 13, 8:9-12, App. II, 12, 5:11-18, App. II, 12, 5:31-36.
- Increased cash flow –
 - By allowing the bank to pay the early payment, the customer does not have to pay the early payment – thus, customer’s balance sheet is not adversely affected. App. II, 11, 4:28-30, App. II, 11, 4:33-39.

Most importantly, the Fast 101 patent claims do not preempt all early discounted payments based on the credit rating of the customer, only those where a system stores and processes a payment message (authorization) *so that* the early payment *can be based* on the customer's credit standing.

IV. The proposed “Fast 101 Subject Matter Eligibility Test” provides the guidance and clarity the patent community demands and is in line with patent statutes and this Court’s precedent.

Since 35 U.S.C. § 112(b) requires patent claims to “particularly point out and distinctly claim the subject

matter which the applicant regards as his invention,” then all patented claims should contain claim language which an examiner has agreed makes the claim distinctive from the prior art.

Because, as the Court recognized, at some level, all inventions involve ineligible concepts,² a new Section 101 test should not focus on ineligibility, but rather *eligibility*. If, as is standard practice under the current *Alice/Mayo* Test, a court searches for an ineligible concept, it will find one. Therefore, any invention, including one such as American Axle’s (which argues has been traditionally eligible), will fail the current *Alice/Mayo* Test.

In order to demonstrate *eligibility* under Section 101 in a complaint for patent infringement, simple allegations of what is old and what is new can be used to call attention to the claim elements to which the claim is directed – giving the court a guide to determine subject matter eligibility.

The proposed Fast 101 Subject Matter Eligibility test process is:

1. Patent owner includes allegations in the complaint regarding prior art concepts.

² This Court recognized in *Diehr*, *Mayo*, and *Alice* that “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Alice*, 573 U.S. at 571. It explained that “an invention is not rendered ineligible for patent simply because it involves an abstract concept.” *Id.*

2. Patent owner includes allegations in the complaint regarding what is new.
3. Patent owner includes at least one whole independent claim, highlighting claim terms that are necessary to understand what is new.
4. Court can look at the whole independent claim to see if the claim is “directed to” what is alleged to be new and “made by man.”³

The courts will then be able to see if a process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, is highlighted, thus incorporated in the claims.

Applying the proposed test to the present claims:

1. Statements regarding prior art concepts
 - Early payments are not new.
 - **Customers or banks loaned or advanced money** as early payments to suppliers discounted based on the **supplier’s cost of funds/credit rating**.
 - Prior art trading and settlement systems did not involve banks. App. II, 10, 1:30-65.

³ In enacting the Patent Act, Congress intended the 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.1923, 82d Cong., 2d Sess., 6 (1952), U.S.Code Cong. & Admin. News 1952, pp. 2394, 2399.

- Banks did not have the necessary messaging infrastructure. App. 28-29, p. 19. App. 32, p. 29.
2. Statements of what is new
- A new type of payment message was made that carries an **authorization**. App. II, 11, 3:47-51. App. II, 11, 4:7-11.
 - The payment **message/authorization data** is **stored in the settlement bank server/logged in the gateway**. App. II, 11, 3:47-51.
 - The **authorization authorizes** the bank to **debit** the cost of the order from the customer's bank account on **a future date**. App. II, 12, 6:9-12, App. II, 13, 7:62-8:12.
 - The **stored authorization** authorizes and **enables** the **bank to pay** an early payment to the supplier **based on the customer's cost of funds/credit rating**. App. II-11-3:47-51; App. II-11-4:7-11; App. II-11-4:42-50.
3. Claim terms necessary to understand what is new are highlighted in the independent claim.

The two example claims would then be reviewed by the court.

Claim 12 of the '098 Patent recites:

A **system** comprising:

an electronic **gateway** that **receives** and logs, on an authorization date, **an electronic authorization**, the electronic authorization relating to an invoice between a customer and a supplier, the electronic authorization **authorizing payment for the invoice**, the invoice comprising **an invoice amount** and an invoice due date, the invoice due date being after the authorization date; and

a banking interface for, **based on the electronic authorization**, electronically **transferring to a supplier** account, on an early payment date, the early payment date being before the invoice due date, a **discounted payment** amount for settlement of the invoice, the discounted payment amount discounted **from the invoice amount based at least on:**

one or more **fiscal attributes of the customer**; and

a credit period, the credit period being an amount of time between the early payment date and the invoice due date; and

a server, electronically receiving, after the credit period, **a customer payment** from an account associated with the customer,

wherein the customer payment is **at least the discounted payment amount**.

Claim 1 of the '867 Patent recites:

A **system** configured for electronic settlement of an order placed by a customer with a supplier comprising:

one or more **bank servers**, at least one of the one or more bank servers receives a **message related to the order**, the message comprising at least **an order amount**;

a database associated with at least one of the one or more bank servers that **stores the order amount**;

one or more processors associated with at least one of the one or more bank servers that **determines an incentive amount**, wherein the incentive amount is determined based at least in part on **one or more fiscal attributes of the customer and the order amount**; and

a payment gateway associated with at least one of the one or more bank servers, the payment gateway electronically transfers to a supplier account on a first date **an early payment** for the order, the supplier account associated with the supplier, wherein **the early payment is less than the order amount** by at least the incentive amount, and the payment gateway electronically receives a **customer payment** from a customer account on a second date, the customer

account associated with the customer, wherein the customer payment is not less than the early payment plus an interest amount, wherein the interest amount is based at least in part on a credit period, wherein the credit period is an amount of time between the first date and the second date.

4. Thus, what is “made by man” and what the claims are “directed to” is a **system** associated with a **bank** that receives a new type of **payment message** associated with an order between a customer and a supplier. The payment message contains **an authorization** from a customer which, when data related to the authorization is **stored in a database/logged in a gateway**, (1) **authorizes a bank to debit/receive** the cost of an order **from the customer’s bank account** on a future date; which then (2) **authorizes/enables the bank to pay** an early discounted payment to the supplier for the order **based on the customer’s credit standing**.

This test prevents courts from including too much of the claim into the abstract concept. This also prevents courts from having to make any decisions on whether something is new or not – which would be part of a novelty and non-obvious analysis. **All that matters is what the claims are directed to.**

This is the analysis that is missing from the *Alice/ Mayo* Test. Its absence is likely the cause of invalidation

of many issued patents. Further, the proposed “Fast 101 Subject Matter Eligibility Test” would likely reach the same conclusions in *Diehr*, *Flook*, *Bilski*, *Alice*, and *Mayo* based on step 4 of this test because only *Diehr* had important claim terms of step 3 that were “made by man.”

V. The Court (not Congress) can and should resolve the recurring and ongoing confusion and uncertainty surrounding the *Alice/Mayo* Test.

There is no confusion regarding the text of 35 U.S.C. § 101 or the existence of the judicially-created exceptions. Confusion has ensued in determining whether or not a claim is “directed to” one of the judicially-created exceptions.

The Court has previously recognized that it is the most appropriate branch to clarify or correct such judicially-created doctrines. See *Pearson v. Callahan*, 555 U.S. 223 (2009) (“[T]he Saucier rule is judge made . . . Any change should come from this Court, not Congress.”).

As outlined above in Section IV, a judicial fix is possible. As Director Iancu of the United States Patent and Trademark Office said, “There’s absolutely no question the courts can solve the issue if they would like to.” Davis, “Courts Can Resolve Patent Eligibility Problems, Iancu Says,” Law360 (April 11, 2019). Furthermore, Congress will likely continue to do nothing. “Patent Eligibility, Legislative Change Still Appears

Far Away,” Bilski Blog (Oct. 15, 2020), <https://bit.ly/34NwXbj>.

VI. This case is the perfect vehicle to revisit the *Alice/Mayo* Test.

This case demonstrates many of the problems commonly associated with applying the *Alice/Mayo* Test. In accepting the defendant’s assertion that the present invention was based on *the same abstract idea* as that found in the *Alice* patents (intermediated settlement) followed by a generic finding of conventionality of the rest of the claim, the Federal Circuit demonstrated the court’s ability to ignore Petitioner’s well-pled factual allegations and use the test to “swallow all of patent law” as warned of in *Mayo* and also improperly rendered factual findings in the context of a motion to dismiss. 566 U.S. at 70-71.

In *HP, Inc. v. Berkheimer*, No. 18-415, Brief for the United States, the Solicitor General recommended that “the Court should grant review in an appropriate case to clarify the substantive Section 101 standards and then address any ancillary issues that remain.” (December 6, 2019). This case demonstrates what is missing from the *Alice/Mayo* Test and proposes a solution.

VII. At a minimum the court should hold this petition pending resolution of the petition in *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC, et al.*, No. 20-891 (filed December 28, 2020), or make it a companion case.

Certiorari is warranted to address the substantive issues in the *Alice/Mayo* Test and whether the *Alice/Mayo* Test includes questions of fact. These questions were presented to the courts below, and they are also presented in the pending petition for certiorari in *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC, et al.*, No. 20-891 (filed December 28, 2020). Should the Court grant certiorari in *American Axle*, it should consider this case to be a companion case that should be evaluated at the same time.

At least, this Court should vacate the decision below, and remand for further consideration in light of its *American Axle* opinion.

At the very least, this Court should vacate the decision below, and remand for amendment and oral argument.



CONCLUSION

For the foregoing reasons, this Court should grant the Petition for Writ of Certiorari.

Respectfully submitted,

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