No. 25-853

IN THE
Supreme Court of the United States

UNITED SERVICES AUTOMOBILE ASSOCIATION,

Petitioner,

v.

PNC BANK N.A.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

JASON SHEASBY
IRELL & MANELLA LLP
1800 Avenue of the Stars
Los Angeles, CA 90067

LISA GLASSER
ANTHONY ROWLES
STEPHEN PAYNE
IRELL & MANELLA LLP
840 Newport Center Dr.
Newport Beach, CA 92660

WILLIAM M. JAY
Counsel of Record
GOODWIN PROCTER LLP
1900 N Street, NW
Washington, DC 20036
wjay@goodwinlaw.com
(202) 346-4000

JESSE LEMPEL
GOODWIN PROCTER LLP
100 Northern Avenue
Boston, MA 02210

Counsel for Petitioner

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INTRODUCTION

There is broad consensus that the abstract-idea exception desperately needs clarification by this Court. Hence the withering critiques voiced by several Federal Circuit judges, the Solicitor General, the PTO, industry stakeholders, and now the patent bar (amicus AIPLA). PNC ignores all of this.

It leads with procedure, arguing that USAA was required to raise identical questions at rehearing. BIO.9. But the panel decisions squarely addressed both questions presented. And the Federal Circuit has consistently refused to reconsider its abstract-idea jurisprudence en banc. Asking again was neither required nor useful.

On substance, PNC oscillates between portraying existing abstract-idea jurisprudence as fine and calling it unfixable. Neither is correct. This is just the latest in a line of Federal Circuit cases treating technological processes as abstract ideas: here, "depositing a check using a handheld mobile device." Pet.App.7a, 20a.

USAA made a genuine leap forward in financial technology. As the first bank to allow customers to deposit checks using their mobile phones, Pet. 7-10, USAA was "in the vanguard of the effort to turn cellphones into portable branches." Susan Stellin, *Bank Will Allow Customers to Deposit Checks by iPhone*, N.Y. Times (Aug. 9, 2009), http://www.nytimes.com/2009/08/10/technology/10check.html?hpw. That is why "PNC withdrew all invalidity arguments based on [novelty or obviousness]." Pet.App.54a. Yet the Federal Circuit treats such novel technological processes as patent-ineligible "abstract ideas." This

Court should reject the Federal Circuit's expansion of the abstract-idea category.

The government has repeatedly asked this Court to clarify the abstract-idea exception, as the PTO Director told Congress just a few weeks ago. This is an ideal vehicle to do so, which is why AIPLA urges the Court to grant this petition. The Court should grant certiorari now or, at a minimum, request the views of the Solicitor General.

ARGUMENT

I. This petition raises fundamental, recurring problems with the Federal Circuit's abstract-idea jurisprudence.

PNC says USAA seeks "case-specific correction" because "the Federal Circuit at least sought to apply" *Alice* here (faint praise indeed). BIO.12. But the Federal Circuit's errors are *not* "case-specific"; they are systematic and fundamental.

A. PNC cannot explain away the Federal Circuit's expansion of the abstract-idea category.

1. In case after case, the Federal Circuit has mislabeled technological processes as "abstract ideas." Pet. 20-22. Judges on the court, the Solicitor General, the PTO, industry stakeholders, and now AIPLA have all noted that the Federal Circuit's caselaw stretches the narrow abstract-idea category far beyond what *Alice* sanctions. Pet. 30-31.

As the Solicitor General has told this Court (where the government was respondent), "the Federal Circuit … treat[s] even quintessentially *technological* inventions as patent-ineligible under the abstract-idea

exception." U.S. Br. at 10, *Audio Evolution Diagnostics, Inc. v. United States*, 145 S. Ct. 2777 (2025) (No. 24-806).

In that vein, AIPLA—representing the patent bar's spectrum of diverse viewpoints—urges the Court to grant certiorari because "the Federal Circuit has struggled in an increasing number of cases to apply the abstract idea exception," and the "undefined abstract idea exception has led not only to unpredictable results but also to outcomes that expand that judicial exception." AIPLA Amicus Br. 3, 17.

PNC ignores most of this. It has *nothing* to say about the carefully considered views of the Solicitor General, the PTO, or AIPLA. Instead, PNC blithely denies any "systemic problems in the Federal Circuit's abstract-ideas jurisprudence." BIO.20-21.

2. USAA identified numerous technological processes that the Federal Circuit has mislabeled "abstract ideas." Pet. 20-22. PNC offers no defense of the Federal Circuit's delineation of those "ideas." Instead, it argues that the patents in those cases "claim a result without specifying any technical means for achieving that result." BIO.21. That misses the point. Such claim specificity matters only when the claim is "directed to a result or effect that *itself is the abstract idea*." *PowerBlock Holdings, Inc. v. iFit, Inc.*, 146 F.4th 1366, 1371 (Fed. Cir. 2025) (emphasis added).

The first question presented, however, raises a fundamental, antecedent question: whether the Federal Circuit has correctly identified the universe of "abstract ideas" at all. When that court labels "generating event schedules … through the application of machine learning" or "wirelessly communicating

status information about a system" as abstract ideas, Pet. 20-21, the problem is not an under-specified claim; it is the Federal Circuit's overbroad view of "abstract idea" that sweeps in concrete technological processes. The decisions below starkly reflect that systemic defect. The Federal Circuit held USAA's claims are "directed to the abstract idea of depositing a check using a handheld mobile device." Pet.App.7a, 20a. But that is a technological process, not an abstract idea.

3. PNC next asserts that *some* (not all) of the cases USAA identifies "applied *Alice*'s instruction that longstanding 'method[s] of organizing human activity' constitute abstract ideas." BIO.22 (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 220 (2014)) (brackets in original). That is not even true for several cases PNC lists. For instance, the Federal Circuit never claimed "the abstract idea of generating event schedules and network maps through the application of machine learning" is a longstanding method of organizing human activity. *Recentive Analytics, Inc. v. Fox Corp.*, 134 F.4th 1205, 1215 (Fed. Cir. 2025).

Regardless, the Federal Circuit's improper expansion of the "method of organizing human activity" subspecies of abstract idea is itself part of the problem. None of the supposed abstract ideas in the few cases PNC mentions (BIO.22) is "'a *fundamental* economic practice'" akin to "the concept of risk hedging" or "intermediated settlement." *Alice*, 573 U.S. at 220 (citation omitted; emphasis added).

B. PNC cannot defend the Federal Circuit's holdings in these cases.

Strikingly, PNC does not defend the holding that "depositing a check using a handheld mobile device" is itself an abstract idea. Pet.App.7a, 20a. PNC acknowledges that is what the Federal Circuit said. BIO.19. But PNC insists the Federal Circuit really meant that the abstract idea was just "depositing a check." BIO.18 (quoting Pet.App.10a).

PNC's rewrite is untenable. The Federal Circuit states *three times* that USAA's claims are "directed to the abstract idea of depositing a check using a handheld mobile device." Pet.App.7a, 20a; *id.* at 21a (same, just without the word "handheld"). In the second decision, the court recapped the first decision as "hold[ing] that claims directed to *this abstract idea*"—using those same words—"are not patent eligible." Pet.App.20a (emphasis added). Moreover, at Step 2, the court reiterated that "the use of a handheld mobile device" is "*the abstract idea itself*." Pet.App.12a (emphasis added).

PNC latches onto one decision's shorthand reference to "the abstract idea of depositing a check." Pet.App.10a. But two sentences earlier the court explained that USAA's claim "is directed to improving the user's experience of depositing a check *by allowing the use of familiar and easily acquired electronics*." Pet.App.10a (emphasis added). The Federal Circuit unambiguously treated "using a handheld mobile device" as part of the supposed "abstract idea."

Nor are the claims directed simply to "depositing a check." Rather, they are drawn to specific methods of depositing checks using portable consumer devices,

not specialized equipment. They recite technical steps where downloaded software controls the mobile device camera to capture front-and-back images of the check, assists the user with orienting the device, and uses OCR to identify and correct errors. Pet. 10-12. Yet the Federal Circuit defined this technological process itself as an "abstract idea." That is the problem.

II. The petition raises a recurring question about patent eligibility for "technological improvements" that warrants this Court's review.

1. PNC argues that the Federal Circuit does not categorically hold that a computer-implemented invention must claim "improvements to computer functionality itself"—rather than improvements to a user's experience—to be patent eligible. BIO.23. But that is precisely what the Federal Circuit holds, and what it held here.

In applying *Alice* to patents directed to computer use, the Federal Circuit has "regularly recognized a crucial distinction" between "claims that call for a concrete asserted improvement in *how* [the computer's] functions are carried out," on the one hand, and "claims that simply call for the use of computers and networks as tools to carry out an abstract idea," on the other. *GoTV Streaming, LLC v. Netflix, Inc.*, 166 F.4th 1053, 1064 (2026).

Given that "crucial distinction," it is unsurprising that PNC's cited cases (BIO.24) involve claims directed to *improved computer functionality*. PNC first cites *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014). As the court below emphasized, in *DDR* "the claims … fundamentally changed or

improved *how* a computer functions." Pet.App.12a. The other cases PNC cites follow the same pattern. *See Core Wireless Licensing S.A.R.L. v. LG Elecs., Inc.*, 880 F.3d 1356, 1363 (Fed. Cir. 2018); *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016).

2. Here, at both steps of the *Alice* test, the Federal Circuit applied this categorical rule to USAA's claims.

At Step 1, the court held that "the claimed steps do not improve the way in which the handheld mobile device functions." Pet.App.10a. While the claim "is directed to improving the user's experience of depositing a check by allowing the use of familiar and easily acquired electronics," the court reasoned, "improving a user's experience while using a computer application is not, without more, sufficient to render the claims directed to an improvement in computer functionality." *Id.* (quotation omitted).

At Step 2, the court reasoned that, "though the claim recites a system that makes the remote check deposit process easier and more convenient for bank customers, there is no *fundamental change to how any of the technology functions*." Pet.App.12a (emphasis added). It made no difference that USAA had presented expert evidence the claimed invention was not conventional. *See* Pet. 7-12; Pet.App.54a (PNC conceded novelty/non-obviousness). The Federal Circuit applied its categorical rule to decide conventionality as a matter of law.

That functionality/experience distinction separately warrants this Court's review: why should § 101 require more than claiming a technological process

that improves a user's experience? *See* Pet. 27-28. Once again, PNC provides no meaningful explanation.

3. This issue implicates both *Alice* steps. *Alice* itself discusses technological improvements at Step 2. Pet. 27. The Federal Circuit, meanwhile, "ask[s] whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, *even at the first step* of the *Alice* analysis." *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (emphasis added). Likewise, the panel below applied its categorical rule at both *Alice* steps. *See* Pet.App.10a-13a. PNC thus is wrong to assert that USAA's petition "presents no step-two question at all." BIO.19.

III. The court below squarely decided the questions presented, which are ideally teed up for this Court's review.

PNC's lead argument is that the Federal Circuit somehow lacked "an opportunity to consider" the questions presented. BIO.9-10. Nonsense. The court below considered and decided both questions.

The Federal Circuit held that USAA's asserted claims are "directed to the abstract idea of depositing a check using a handheld mobile device." Pet.App.7a, 20a, 21a. That holding squarely presents the first question: whether a technological process may itself be labeled an "abstract idea." And the court held that the claims are patent-ineligible because they "do not improve the way in which the handheld mobile device functions" and instead "improv[e] the user's experience of depositing a check by allowing the use of familiar and easily acquired electronics." Pet.App.10a. That holding squarely presents the second question.

See Pet. 24-28. These issues were contested, briefed, and decided below. *See* Pet.App.8a-13a (rejecting USAA's arguments that the claims are directed to an improved, non-abstract technological process).

PNC appears to argue (BIO.9) that this Court should not review the questions presented because USAA raised different arguments at the *rehearing* stage. There is no such rehearing-exhaustion rule. Rehearing itself is optional, and this Court has repeatedly granted certiorari in patent cases where the petitioner raised different questions at rehearing, *e.g.*, *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 584 U.S. 325 (2018). USAA's targeted rehearing strategy—focused on the Step 2 summary-judgment defect—does not forfeit broader legal questions, especially where the Federal Circuit has repeatedly refused to grant en banc review. Pet. 32-33.

IV. Review by this Court is both needed and appropriate, despite PNC's insistence that this statutory question must be answered by "common law" forevermore.

PNC's final argument toggles between asserting (1) there's no need to clarify the abstract-idea exception because the "common law methodology" is working, and (2) there's no way to clarify it anyway. BIO.28-32. Both assertions are wrong.

1. The Federal Circuit's current "common law methodology" (BIO.30) is not working. Virtually everyone recognizes that the Federal Circuit's abstract-idea jurisprudence "is almost impossible to apply consistently and coherently." *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1377 (Fed. Cir. 2017) (Linn, J., concurring in

part and dissenting in part). Indeed, the PTO told Congress that "[m]any commenters specifically expressed their frustrations with the subjectivity and lack of definition of what constitutes an abstract idea."[1] No wonder the United States has urged "the Court to clarify the proper reach and application of the abstract-idea exception." U.S. Br. at 10, *Interactive Wearables, LLC v. Polar Electro Oy* and *Tropp v. Travel Sentry, Inc.*, 143 S. Ct. 2482-2483 (2023) (Nos. 21-1281 and 22-22).[2]

2. This dysfunction "endangers the United States' position as a global leader in protecting today's innovations as well as its ability to secure patent protection for future, currently unforeseeable innovation." AIPLA Amicus Br. 20-21. The PTO Director likewise warned Congress that "without reliable patent protection, AI start-ups cannot secure the venture capital needed to compete against state-backed giants in China and elsewhere."[3]

Just a few weeks ago, the PTO Director reminded Congress that "[a]long with the Solicitor General, the USPTO has … repeatedly identified to the Supreme Court the uncertainties in applying the two-step test

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[1] PTO, Report to Congress, *Patent eligible subject matter: Public views on the current jurisprudence in the United States* 36 (2022), https://bit.ly/4pc9max.

[2] PNC hints (opportunistically) that the Court should take a case about some *other* judicial exception besides abstract ideas. BIO.29. But it does not dispute that 90% of §101 litigation involves the abstract-idea exception. Pet. 28-29.

[3] PTO, *Statement by Director Squires before the United States Senate Subcommittee on Intellectual Property Committee on the Judiciary* (Oct. 10, 2025), https://www.uspto.gov/about-us/news-updates/statement-director-squires-united-states-senate-subcommittee-intellectual.

for determining patent-eligible subject matter under *Alice*."[4] The Court has not yet requested the current views of the United States on these questions; it should do so here.

3. Equally wrong are PNC's suggestions that there is nothing "more this Court can or should say beyond what *Alice* already said," BIO.31—and, relatedly, that the Court cannot "adopt USAA's desired approach without overruling *Alice*," BIO.15-17. USAA, amicus AIPLA, and myriad other critics are urging the Court to correct the Federal Circuit's *misapplication* of *Alice*, not to overrule that precedent.

Thus, for instance, the United States has repeatedly criticized the Federal Circuit's *application* of *Alice*. "Properly understood," the Solicitor General explained, "the abstract-idea exception … precludes the patenting of both the fundamental building blocks of technological innovations and innovations in non-technological fields." U.S. Br. at 12, *Interactive Wearables, supra*. Yet the Federal Circuit "treat[s] even quintessentially *technological* inventions as patent-ineligible under the abstract-idea exception." U.S. Br. at 10, *Audio Evolution*, *supra*. PNC ignores that explanation by the United States entirely.

Judge Linn's 2017 partial dissent in *Smart Systems* strikes a similar chord. *See* Pet. 22. PNC responds by mischaracterizing Judge Linn's opinion as contrary to *Alice* itself. BIO.16-17. That is wrong: Judge Linn only *partially* dissented because he was "bound by" *Alice* to conclude that some claims were

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[4] Statement of John A. Squires (Mar. 25, 2026), https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/squires-testimony.pdf.

abstract. *Smart Sys.*, 873 F.3d at 1383-1384. For the other claims, he argued they "are not directed to abstract ideas under any reasonable application of the *Alice/Mayo* test." *Id.* at 1376. It is the Federal Circuit's *unreasonable* interpretation of *Alice* that is the problem. Judge Linn is far from alone in observing that his court has made it "near impossible to know with any certainty whether [a given] invention is or is not patent eligible." *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1348-1356 (Fed. Cir. 2018) (Plager, J., concurring in part and dissenting in part); *see* Pet. 30-33.

Alice teaches that the abstract-idea category refers to the "building blocks of human ingenuity." 573 U.S. at 216. A technological process is not an abstract idea, but the Federal Circuit believes that it is. To be sure, an invention may involve a technological process and still be directed to an abstract idea, as the computer-based process in *Alice* was directed to "the concept of intermediated settlement." 573 U.S. at 219. But the technological process itself cannot *be* the abstract idea. Correcting the Federal Circuit on that crucial point would meaningfully advance § 101 jurisprudence's predictability and its fidelity to the statute. So would rejecting the related categorical rule that improving a user's experience does not satisfy § 101.

Two centuries ago, Justice Story explained that "[a] patent cannot be for a *mere principle, properly so called; that is, for an elementary truth*." 16 U.S. App. Note II, at 14 (1818) (emphasis added). But Justice Story added that a "process … may well be the subject of a patent"—and that such a patent-eligible process is sometimes mislabeled a "principle." *Id.* That is

what the Federal Circuit has done: a technological process is *not* itself "a mere principle, properly so called," for eligibility purposes.

Alice declined to "delimit the precise contours of the 'abstract ideas' category." 573 U.S. at 221. In the dozen years since, the Federal Circuit has filled the void with a body of law treating genuinely new technological processes as "mere principle[s]" beyond patent law's protection. This petition cleanly presents the question whether a process like "depositing a check using a handheld mobile device" is an abstract idea, supported by a factual record that the court below rejected as categorically irrelevant.

CONCLUSION

Certiorari should be granted. At a minimum, the Court should invite the views of the Solicitor General.

Respectfully submitted.

JASON SHEASBY
IRELL & MANELLA LLP
1800 Avenue of the Stars
Los Angeles, CA 90067

LISA GLASSER
ANTHONY ROWLES
STEPHEN PAYNE
IRELL & MANELLA LLP
840 Newport Center Dr.
Newport Beach, CA 92660

WILLIAM M. JAY
Counsel of Record
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1900 N Street, NW
Washington, DC 20036
wjay@goodwinlaw.com
(202) 346-4000

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GOODWIN PROCTER LLP
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