No. 24-461

IN THE

Supreme Court of the United States

ISLAND INTELLECTUAL PROPERTY LLC,

Petitioner,

v.

TD AMERITRADE, INC., *et al.*,

Respondents.

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

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether patent claims drawn to managing funds held in aggregated accounts are ineligible under 35 U.S.C. § 101?

2. Whether the Federal Circuit properly issued an affirmance without opinion pursuant to Federal Circuit Rule 36, where an opinion would add nothing of precedential value in future cases?

PARTIES TO THE PROCEEDING BELOW

The parties to the proceeding below are the petitioner, Island Intellectual Property LLC ("Island"), and respondents TD Ameritrade Clearing, Inc., TD Ameritrade Holding Corp. (now Ameritrade Holding LLC), TD Ameritrade Trust Company (now dissolved), TD Ameritrade, Inc., and The Charles Schwab Corporation (collectively, "Schwab").

RULE 29.6 STATEMENT

The Charles Schwab Corporation is a publicly traded corporation and has no parent corporation. The Toronto-Dominion Bank is a publicly-held corporation that, with its subsidiaries, owns less than 10% of The Charles Schwab Corporation's voting common stock (and combined with its ownership of a separate class of non-voting common stock, owns more than 10% of common stock of The Charles Schwab Corporation).

The parent corporation of TD Ameritrade Holding Corporation (now Ameritrade Holding LLC) is The Charles Schwab Corporation.

The parent corporation of TD Ameritrade, Inc. is Ameritrade Online Holdings LLC (formerly TD Ameritrade Online Holdings Corp.), a wholly owned subsidiary of Ameritrade Holding LLC (formerly TD Ameritrade Holding Corporation), which is a wholly owned subsidiary of The Charles Schwab Corporation.

The parent corporation of TD Ameritrade Clearing, Inc. is Ameritrade Online Holdings LLC (formerly TD Ameritrade Online Holdings Corp.), a wholly owned subsidiary of Ameritrade Holding LLC (formerly TD Ameritrade Holding Corporation), which is a wholly owned subsidiary of The Charles Schwab Corporation.

The parent corporation of TD Ameritrade Trust Company is Ameritrade Online Holdings LLC (formerly TD Ameritrade Online Holdings Corp.), a wholly owned subsidiary of Ameritrade Holding LLC (formerly TD Ameritrade Holding Corporation), which is a wholly owned subsidiary of The Charles Schwab Corporation.

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INTRODUCTION

This case does not present any issue that warrants this court's review.

Island's patent claims are similar to the claims that were found ineligible in *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014). The claims in *Alice* were "drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk." *Id.* at 219. Island's claims are directed to methods of managing funds that are used by financial programs referred to as "deposit sweeps." Deposit sweep programs allowed customers to avoid the withdrawal limits historically associated with accounts that are both interest-bearing and FDIC-insured.

Like the claims in *Alice*, Island's claims use a computer to obtain transaction data, track account balances, and transfer money between accounts. As in *Alice*, this use of computers does not impart patentability to these fundamental economic activities. Transferring money between accounts, tracking transactions and account balances, and calculating interest payments are abstract financial concepts that banks used for centuries before computers were invented. Claims to these concepts do not become patent-eligible when they are implemented on a computer.

The district court granted Schwab's motion for summary judgment under 35 U.S.C. § 101, finding that Island's claims are directed to the "fundamental economic activity of aggregate account management" and not to anything "that improves computer functionality or solves a problem specifically arising from computers." Pet. App. B at 5a. The district court rejected Island's argument that there were material facts in dispute, pointing out that "the abstract idea itself cannot supply the inventive concept, 'no matter how groundbreaking the advance.'" Pet. App. B at 7a-8a. Thus, as the district court explained, no amount of evidence about the purported novelty of Island's methods of aggregate account management could show that its claims were patent-eligible. *Id.* at 8a.

The Federal Circuit summarily affirmed the district court's decision pursuant to Federal Circuit Rule 36. Pet. App. A at 2a. Petitioner petitioned for panel rehearing and rehearing en banc, which were both denied. Pet. App. F at 55a.

STATEMENT OF THE CASE

I. Background

Island's patents relate to the use of automatic transfers by banks or brokers that were known as "sweeps." For example, a financial institution could automatically "sweep" idle client funds into an interest-bearing bank account at the end of each business day. By 2002—the time of the alleged inventions[1]—deposit sweeps had been around for decades. Indeed, Island admitted that deposit sweep systems were automated prior to its alleged inventions. Pet. App. C at 19a.

A. Banking Regulations In 2002

In 2002, banks were FDIC-insured but were prohibited from paying interest on "demand deposit" accounts that allowed more than six transactions per month.[2] In contrast, brokers could use money market

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[1] C.A. App. 926; C.A. App. 226; C.A. App. 152, C.A. App. 172.

[2] C.A. App. 162 (1:22-35); C.A. App. 235 (1:35-58).

mutual funds to pay interest on deposits while offering unlimited transactions, but these funds were not FDIC-insured and were required to pay the same rate of return to each depositor.[3]

However, there was an exception in the banking regulations imposing a transaction limit on interest-bearing accounts: an unlimited number of transfers were allowed between accounts registered to the same entity, provided that the transfers were made in certain ways, such as by messenger or in person.[4]

Thus, an individual could work around the six-transaction limit on interest-bearing bank accounts by opening two accounts—a demand account and an interest-bearing account—and transferring funds between them as needed.[5] Specifically, the individual could keep their funds in the interest-bearing account, and monitor the daily activity in the demand account. If a day's transactions resulted in a $100 debit, the individual could go to the bank and transfer $100 to the demand account to cover the $100 debit. If a day's transactions resulted instead in a $100 credit, the individual could go to the bank and transfer that $100 into the interest-bearing account so it could earn interest. While this behavior would permit an individual to have unlimited transactions while at the same time earning interest on funds kept in a bank, it would be time consuming and inefficient.[6]

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[3] C.A. App. 258-259.

[4] C.A. App. 162 (1:52-57); C.A. App. 237 (6:9-50).

[5] C.A. App. 164 (6:4-6); *see also* C.A. App. 163 (4:25-30) (explaining that a "DDA" is a demand deposit account and an "MMDA" is a money market deposit account).

[6] C.A. App. 164 (6:7-8).

B. The Aggregated Accounts Work-Around

"Aggregated" accounts were used to overcome this inefficiency and allow the same-entity exception to become a practical way of working around the banking regulations.[7] By aggregating the funds of many customers and using computers to sum up all of their daily transactions, the costs of calculating and making a daily transfer (or "sweep") between an aggregated demand account and an aggregated interest-bearing account could be spread across all the customers.[8] This made it economically viable to have unlimited transactions from the demand account, while also earning interest on all the funds that were not needed to cover a particular day's transactions.[9]

C. The Admitted Prior Art

During prosecution of the patents at issue, Island admitted that in 1997 it advertised and sold a product that used the aggregated accounts work-around to pay interest on deposits while offering both unlimited transactions and FDIC insurance:[10]

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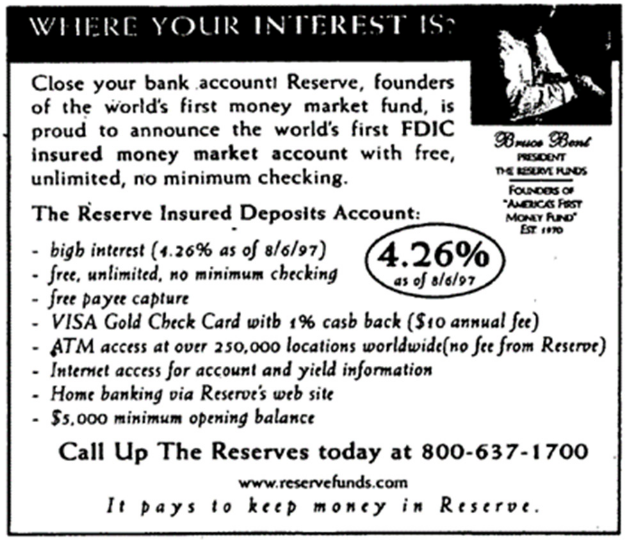
[7] C.A. App. 162 (1:8-9, 1:63-2:24).
[8] C.A. App. 162 (1:63-2:24); C.A. App. 238 (7:8-40).
[9] *See* C.A. App. 280-282 (district court's description of how Island's patents address the "problem" caused by the prohibition on paying interest on demand accounts).
[10] C.A. App. 454, C.A. App. 511 (advertisement); C.A. App. 450-452, C.A. App. 518-520 (Bent Declaration about advertisement); C.A. App. 459-470, C.A. App. 503-504 (interview summaries); C.A. App. 439-449, C.A. App. 506-517 (IDS with advertisement); C.A. App. 430-435, C.A. App. 480-485 (Bent Declaration regarding trademark for "Reserve Insured Deposit").



As shown in this 1997 advertisement and admitted by Island, the Reserve Insured Deposits product offered unlimited transactions from an account that was both FDIC-insured and interest-bearing. This was made possible by an automated system that swept client funds into an aggregated deposit account at the Chase Manhattan Bank.[11] Thus, as Island admitted in its brief to the Federal Circuit, "deposit sweep products were already automated at the time of the inventions."[12]

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[11] C.A. App. 511, C.A. App. 519; *see also* C.A. App. 539, C.A. App. 543, C.A. App. 612-615 (Bent Depo. 64:20-65:20, 66:9-67:9); C.A. App. 606-607; C.A. App. 601-603 (Bent Depo. 37:7-39:14); C.A. App. 961 (Island agreeing that Reserve Insured Deposits used "aggregated MMDA accounts" in 1997).

[12] *Island Intell. Prop. LLC v. TD Ameritrade, Inc.*, No. 23-1318 (Fed. Cir.), Dkt. 20 at 24.

II. Island's Patents

Island's patents claim alleged improvements on the Reserve Insured Deposits product described above.

U.S. Patent Nos. 7,519,551 and 7,933,821 (the "'551" and "'821" patents, respectively) have the same disclosure,[13] as the '821 patent is a continuation of the '551 patent. Pet. App. C at 15a. These patents explain that a problem with pre-existing approaches to aggregated account management was that they required "transfer of oftentimes significant funds" to a third-party bank. Thus, these patents identified a need for "an interest-bearing return sweep account" that permits "account funds to remain on the bank's balance sheet."[14] The solution offered by the patents was a "method of managing funds" that used aggregated accounts in multiple banks, including an affiliated bank (i.e. one that is "in the infrastructure" of the financial entity receiving the customer funds.) This method differed from the pre-existing Reserve Insured Deposits product, which used a single third-party bank. Using multiple banks (instead of a single bank) allowed FDIC insurance on deposits that exceed the FDIC-insurance limit, which was $100,000 at the time of filing.[15] And using an affiliated bank (instead of a third-party bank) allowed the financial entity to keep most of the funds it received on its balance sheet so that they could be used as a source for loans.[16]

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[13] Citations herein are to the '551 patent.

[14] C.A. App. 162 (2:33-39); *see also* C.A. App. 163 (3:7-18).

[15] C.A. App. 166 (9:36-41); *see also* C.A. App. 166 (9:22-27); C.A. App. 254.

[16] C.A. App. 162 (2:16-21); C.A. App. 152 (Abstract); C.A. App. 162 (1:16-19).

The specification of these patents explains that the alleged invention is implemented by an "agent" that uses a "program" and a "database" to (i) track deposits, withdrawals, and balances in client accounts,[17] (ii) calculate the "net transaction" that needs to be deposited into or withdrawn from the aggregated account,[18] (iii) calculate the amounts that need to be transferred between the aggregated account and each individual account.[19] This involves creating and transmitting transaction files, updating the database, and executing automated transfers of funds.[20]

The patents do not provide any particulars about what computer or database is used. They use the word "computer" once,[21] and the word "database" seven times.[22] Nor do the patents disclose anything about the underlying operations of any computer or database. Instead, they use functional phrases such "recording the amount of funds"[23] or "a net transaction is calculated as the sum of individual client deposits and withdrawals."[24] These are the same types of database and computer operations that were disclosed almost two decades earlier in a Merrill Lynch patent application describing a deposit-sweep program that moved money into "insured savings accounts."[25] The specification's use of generic phrasing for computer

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[17] C.A. App. 163 (4:62-66); C.A. App. 165 (7:15-37).
[18] C.A. App. 163-164 (4:66-5:16); C.A. App. 165 (7:37-59).
[19] C.A. App. 164 (5:16-26); C.A. App. 165 (7:21-37).
[20] C.A. App. 165 (8:10-11, 8:24-29; 8:31-36; 8:42-43).
[21] C.A. App. (1:16).
[22] C.A. App. (Abstract); C.A. App. (3:45, 3:57, 4:62); C.A. App. (5:26); C.A. App. (7:6, 8:39).
[23] C.A. App. 163 (4:42).
[24] C.A. App. 163-164 (4:67-5:1).
[25] C.A. App. 751; C.A. App. 762-763 (11:34-13:55); C.A. App. 305 (fact #13); C.A. App. 962 (Island's response to fact #13).

operations shows that it relies on the knowledge of a person of ordinary skill for the implementation of its disclosures on a computer.

U.S. Patent No. 7,509,286 (the "'286" patent), which is part of the same patent family, explains that it is desirable to offer higher interest rates to clients with bigger account balances.[26] The '286 patent admits that this tiered-interest-rate concept was already known: it describes "prior art certificates of deposit" that permitted "investors to gain a greater interest rate when the investor commits an increasing amount."[27] Nonetheless, according to the '286 patent, there was a need for "insured, interest-bearing accounts … with interest rates that can be flexibly assigned."[28] The '286 patent addressed this need with a "method of managing funds" that uses aggregated accounts in multiple banks (instead of the single bank) and pays different interest rates to different clients (instead of paying the same rate to all clients).

Like the '551 and '821 patents, the '286 patent explains that the alleged invention is performed using "computer systems programmed to carry out the above methods."[29] According to the patent, these computer systems are "configured from standard commercial-grade components."[30] The "processor may be from IBM using an OS/390 or MVS/ESA operating system or the equivalent," and "a typical data-base system may be DB2 from IBM or the equivalent, such as products from Oracle Corp."[31] The patent explains

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[26] C.A. App. 254, C.A. App. 255 ("generally the higher the balance, the higher the interest rate").
[27] C.A. App. 259.
[28] C.A. App. 259.
[29] C.A. App. 247 (25:18-26).
[30] C.A. App. 247 (25:26-27).
[31] C.A. App. 247 (25:30-34).

that its methods "may be programmed as one or more modules in convenient commercial programming languages."[32] It also states that the "database records" used for the invention may be "structured" in "any convenient manner known in the art."[33] These statements show that, like the '551 and '821 patents, the '286 patent relies on the pre-existing knowledge of a person of ordinary skill instead of disclosing specifics about computers or computer programming.

III. The Proceedings Below

A. Island's Admissions

Schwab filed a motion for summary judgment that Island's asserted claims were patent-ineligible.[34] In its opposition to Schwab's motion, Island admitted that the Reserve Insured Deposits product was prior art and that it used aggregated accounts.[35] Island argued that Reserve Insured Deposits was different from its patents because it "did not offer tiered interest rates or extended FDIC insurance and was not operated with an affiliated bank."[36]

Island also admitted that each of these three distinctions—tiered interest rates, extended FDIC insurance, and using an affiliated bank—was itself conventional, though not in combination with aggregated accounts:

- "Island agrees that the use of tiered interest rates for <u>individual</u> [accounts] was routine and

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[32] C.A. App. 247 (25:45-47).

[33] C.A. App. 241 (14:60-64).

[34] C.A. App. 298-339 (motion); C.A. App. 934-971 (opposition); C.A. App. 1625-1640 (reply); C.A. App. 1672-1687 (sur-reply).

[35] C.A. App. 961 (Island's response to fact #5); *see also id.* (Island's responses to fact #6-8); C.A. App. 303 (fact #6-8).

[36] C.A. App. 961 (Island's response to fact #5).

conventional; however, the use of tiered interest rates for aggregated [accounts] … was non-routine, unconventional, and not well-known."[37] Relatedly, Island admitted that use of tiered interest rates was federally regulated in the 1990s, prior to the alleged inventions of the asserted patents.[38]

- "Island agrees that using individual [accounts] at multiple banks to obtain extended FDIC insurance was conventional; however using aggregated [accounts] to obtain extended FDIC insurance … was non-routine, unconventional, and not well-known."[39]
- "Island agrees" that "Merrill acquired or established banks in its infrastructure in the 1980s"[40] and that Merrill swept client funds into these banks, "except that Merrill's program swept clients' funds from their Merrill accounts into individual [accounts], not aggregated [accounts]."[41]

With respect to computers and databases, Island's expert admitted that by the 1980s "any modern financial institution is going to have all their financial ledgers maintained electronically within a

[37] C.A. App. 964 (Island's response to fact #27) (emphasis in original); C.A. App. 309-310 (fact #27); *see also* C.A. App. 636-637 (Island's expert testifying that money-market deposit accounts ("MMDAs") are interest-bearing, FDIC-insured accounts).
[38] C.A. App. 965 (Island's response to fact #28); C.A. App. 310 (fact #28).
[39] C.A. App. 962-963 (Island's response to fact #18) (emphasis in original); C.A. App. 306 (fact #18).
[40] C.A. App. 962 (Island's response to fact #15); C.A. App. 305 (fact #15).
[41] C.A. App. 962 (Island's response to fact #16) (emphasis in original); C.A. App. 305 (fact #16).

database."[42] Island argued that while Merrill and others used computers and databases to track funds and transactions, they did so "in a different way than in the claimed inventions, because they because they did not include any information about aggregated [accounts]."[43]

B. The Lower Court Opinions

The magistrate judge recommended that Schwab's motion be granted. Pet. App. C. The magistrate's report first addressed claim 18 of the '551 patent—which Island has since designated as representative of the claims in the '551 and '821 patents. *Id.* at 17a-23a. The report found that this claim is "directed to a particular method of managing client funds to circumvent federal banking regulations limiting withdrawals from FDIC accounts while simultaneously capitalizing on the interest rates associated with FDIC accounts." *Id.* at 17a. The report found that the steps of the claimed method "all lie entirely in the abstract realm of fund management." *Id.* at 18a.

The magistrate's report then addressed the '286 patent, finding that it was likewise directed to "fundamental economic and accounting activities": "determining and applying an interest rate to individual funds held in aggregate, calculating the respective interest of each individual fund over a period of time, calculating the interest earned by the aggregate FDIC account over the same period of time, and posting the interest earned by individual funds." *Id.* at 24a. The claims were thus directed to an abstract idea at *Alice* step one. *Id.* And, because the

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[42] C.A. App. 308 (fact #24, citing C.A. App. 668-669.)
[43] C.A. App. 964 (Island's response to facts #23-25).

purported advance of the claimed method lay solely in the alleged novelty of the abstract idea, the claims lacked an inventive concept at *Alice* step two. *Id.*

After considering Island's objections, the district court entered an order adopting the magistrate's report and granting Schwab's motion for summary judgment. Pet. App. B. The summary judgment order explained that "the purported innovation in 'cash management'" claimed in the patents "concerns the abstract idea of fundamental economic and accounting activities itself, which is not sufficient to confer eligibility." *Id.* at 7a. Even accepting as true Island's arguments that its innovation was novel, "novelty is not relevant the § 101 analysis." *Id.* at 9a. The order observed that Island did not "address the fact that it does not point to a specific improvement to computer functionality." *Id.* at 7a. The order reiterated that "the abstract idea itself cannot supply the inventive concept, no matter how groundbreaking the advance." *Id.* at 7a-8a. Thus, the order found that no amount of evidence from Island about the purported novelty of its method of cash management could change the fact that the claims do not "contain an inventive concept outside the realm of abstract ideas." *Id.* at 8a. Finally, the district court found that Island's "invocations of an 'electronic database' or other steps performed 'electronically' fall squarely within Federal Circuit precedent finding generic computer components insufficient to add an inventive concept to an otherwise abstract idea." *Id.*

On appeal, the Federal Circuit summarily affirmed the district court judgment. Pet. App. A at 1a.

REASONS FOR DENYING THE PETITION

I. As In *Alice*, The Claims At Issue Are Invalid As A Matter Of Law

The Federal Circuit affirmed the district court's determination that Island's claims describe "fundamental economic and accounting practices consistently deemed abstract by the Supreme Court and the Federal Circuit." That conclusion was correct and does not warrant this Court's review.

A. Abstract Ideas Have Long Been Recognized As Patent-Ineligible

Section 101 of the Patent Act sets out the subject matter eligible for patent protection: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101. For over 150 years, this Court has held that laws of nature, natural phenomena, and abstract ideas—"the basic tools of scientific and technological work"—are not patentable, and has interpreted § 101 accordingly. *Mayo Collaborative v. Prometheus Lab'ys.*, 566 U.S. 66 (2012) (collecting cases, including *LeRoy v. Tatham*, 55 U.S. 156, 174–75 (1852) and *O'Reilly v. Morse*, 56 U.S. 62 (1853)). Those three categories are patent ineligible because "monopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it." *Mayo*, 566 U.S. at 71. That concern has been described "as one of pre-emption"—essentially, patents that improperly claim the "building blocks of human ingenuity" stifle innovation. *Alice*, , 573 U.S. at 219; *Bilski v. Kappos*, 561 U.S. 593 (2010).

With the rise of computers, this Court has expressed specific concern about patents that attempt to circumvent these principles of patentability by reciting generic computer components to implement an otherwise unpatentable concept. Accordingly, this Court explained in *Alice* that "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice*, 573 U.S. at 222-23 ("Nor is limiting the use of an abstract idea to a particular technological environment.") (internal quotation marks and citation omitted). Generic computer implementation provides no "practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself." *Id.* at 223-24 (brackets in original; citation omitted).

B. The Settled Two-Step Test to Determine Patent Eligibility

This Court's 2014 decision in *Alice*, relying on its earlier rulings, including *Mayo*, confirmed that courts apply a two-step test to determine patent eligibility under § 101. First, the court determines if the claim at issue is directed to a patent-ineligible concept. *Alice*, 573 U.S. at 217-18. If so, then the court determines whether the claim recites an "inventive concept" sufficient to "transform the nature of the claim into a patent-eligible application." *Id.* (quotation marks omitted). The second step is intended "to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." *Id.* at 218-19. (quotation marks omitted, brackets in original). This second step may require weighing evidence to determine "whether the additional limitations beyond the abstract idea, natural phenomenon, or law of nature would have been well-understood, routine, and conventional to an ordinarily skilled artisan." *Berkheimer v. HP Inc.* 890 F.3d 1369, 1370 (Fed. Cir. 2018).

C. Island's Claims Are Invalid As A Matter Of Law

In *Alice*, this Court considered a patent that was filed in 1993. 573 U.S. at 212-213, n.1, n.2.[44] The patent contained claims "drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk." *Id.* at 219. This Court held those claims patent-ineligible, affirming an *en banc* decision of the Federal Circuit that had affirmed a district court's grant of summary judgment. *Id.* at 212, 214.

The claims rejected in *Alice* required using a computer to obtain transaction data, track account balances, and transfer money between accounts to implement a process for intermediated settlement. *Id.* at 225. Island's claims—which describe alleged inventions from 2002, almost a decade after the *Alice* patent—also require using computers to obtain transaction data, track account balances, and transfer money between accounts. Island's claims do so in order to implement "deposit sweep" programs that use multiple banks and pay different interest rates to different clients.

Island's claims are patent-ineligible because, like the claims in *Alice*, their alleged improvements are in the realm of abstract financial ideas. The '286 patent claims the improvement of using multiple banks and tiered interest rates (instead of a single bank and the same interest rate for all clients). The '551 and '821 patents claim the improvement of using

[44] United States Patent No. 5,970,479.

multiple banks, including an affiliated bank (instead of using a single third-party bank).

Extensive precedent beyond *Alice* establishes that claims to these types of improvements are ineligible. In *Bilski v. Kappos*, 561 U.S. 593 (2010), this Court rejected claims that sought to patent "the concept of hedging risk" and "the application of that concept to energy markets" through the use of computers. Following *Alice* and *Bilski*, the Federal Circuit has issued multiple opinions showing that even if Island is assumed to be the first to have come up with the financial ideas claimed in its patents, its claims are still ineligible because "a claim for a new abstract idea is still an abstract idea." *SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1163 (Fed. Cir. 2018).

In *SAP America*, the Federal Circuit found ineligible claims describing statistical analysis of investment data. *Id.* The system claim required a database and a plurality of processors that selected investment data from the database, performed statistical analysis on the data, and reported the results. *Id.* at 1165. Notwithstanding this claim's use of processors and a database to perform calculations too complex to perform without a computer, *SAP America* found the claim ineligible because its focus was not on "any improved computer or network, but the improved mathematical analysis." *Id.*

Similarly, in *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371 (Fed. Cir. 2015), the Federal Circuit considered a patent related to the discovery that cell-free fetal DNA ("cffDNA") exists in maternal blood components that other researchers had previously discarded as medical waste. The patent claims covered amplifying this newly discovered cffDNA and then detecting it, which enabled diagnosis of certain fetal characteristics. *Id.* at 1373-74. This Court held these claims ineligible because the existence of cffDNA in maternal blood is a natural phenomenon, and what the claims added—amplification and detection of DNA sequences in plasma or serum—was already well known. *Id.* at 1376-77. Thus, the claims were ineligible because the "only subject matter new and useful as of the date of the application was the discovery of the presence of cffDNA in maternal plasma or serum," *i.e.,* the natural phenomenon itself. *Id.* at 1377. It did not matter that the inventors "revolutionized prenatal care," because "innovative or even brilliant discovery does not by itself satisfy the § 101 inquiry." *Id.* at 1379.

This principle reaches back at least to *Parker v. Flook*, 437 U.S. 584 (1978), where the claims at issue described a catalytic-conversion process that used an updated alarm limit. *Id.* at 585-86. This Court held that the claims were ineligible because "the only difference" between the conventional methods of changing alarm limits and the claimed method was something that was not patent-eligible: a "mathematical algorithm or formula." *Id.* In other words, the claims were unpatentable because the alleged innovation was an abstract idea. *Id.*

Island's petition repeatedly and incorrectly implies that in addressing § 101, the lower court decisions were addressing a question of fact, and then uses that false premise to assert that the lower courts did not properly apply Rule 56. For example, Island's petition asserts (at 21) that a patentability evaluation under 35 U.S.C. § 101 is a "factual" determination, citing *Microsoft v. i4i L.P.*, 564 U.S. 91, 95-97, 100 (2011). But the *Microsoft* decision did not address § 101; it addressed the presumption of validity provided by § 282. The existence of § 282 does not imply, as Island seems to argue, that all questions of validity are questions of fact. For example, this Court has long held that whether a patent is invalid as obvious (under § 103) is a question of law, albeit with underlying questions of fact about "the scope and content of the prior art." *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17 (1966). Going back further, in 1884 this Court stated that "whether the thing patented amounts to a patentable invention" is "a question of law." *Mahn v. Harwood*, 112 U.S. 354, 358 (1884). This Court has also held that questions about the scope of patent claims are questions of law, even if that question has "evidentiary underpinnings." *Markman v. Westview Instruments, Inc.* 517 US 370, 390 (1996).

Island's petition asserts (at 22) that the Federal Circuit's decision in *Berkheimer*, 890 F.3d at 1370 suggests that the § 101 inquiry is a question of fact. In reality, the *Berkheimer* decision stands for the opposite: that the § 101 inquiry is a question of law, albeit one that may, in some circumstances, contain underlying issues of fact. Specifically, *Berkheimer* holds that "to the extent it is at issue in the case, whether a claim element or combination is well-understood, routine, and conventional is a question of fact." *Id.* at 1374. *Berkheimer* explains that "[t]his inquiry falls under step two in the § 101 framework." *Id.* (citing *Alice*, 573 U.S. at 217, and *Mayo*, 566 U.S. at 78-79). In other words, the portion of the § 101 inquiry that is factual and "may require weighing evidence" is the step-two inquiry into "whether <u>the additional limitations beyond the abstract idea</u>, natural phenomenon, or law of nature would have been well-understood, routine, and conventional to an ordinarily skilled artisan." *Id.* at 1378-79 (emphasis added).

Berkheimer specifically contrasts the factual inquiry into what is "well-understood, routine, and conventional" with the type of inquiry that was at issue here: "It is clear from *Mayo* that the 'inventive concept' cannot be the abstract idea itself, and [our recent decisions] leave untouched the numerous cases from this court which have held claims ineligible because the only alleged 'inventive concept' is the abstract idea." *Id.* at 1374 (emphasis added; *citing Mayo*, 566 U.S. at 72-73). Thus, contrary to Island's argument, *Berkheimer* does not imply that the patent-eligibility issue decided in this case was a question of fact. Indeed, the opposite is true: *Berkheimer* makes clear that the question of whether a particular claim element or combination of elements is directed to an abstract idea is a question of law.

Here, the district court held that Island's evidence was immaterial as a matter of law because it was directed at proving the inventiveness of abstract ideas: "Put simply, '[t]he abstract idea itself cannot supply the inventive concept, no matter how groundbreaking the advance.'" Pet. App. B at 7a-8a (*citing Trading Techs. Int'l, Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019)). In other words, "[w]hat is needed is an inventive concept in the non-abstract application realm." Pet. App. B at 6a (emphasis added, *citing SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1168 (Fed. Cir. 2018)).

Not only is it logical that the abstract idea itself cannot supply the inventive concept that makes a claim patent-eligible, that principle follows from this Court's decisions. *Alice* held that "On their face, the claims before us are drawn to the concept of intermediated settlement." *Alice*, 573 U.S. at 219 (emphasis added). This sort of assessment of claim language is exactly what was held to be a question of law in *Markman*. *Alice* went on to hold that the claims were ineligible because "there is no meaningful distinction between the concept of risk hedging in *Bilski* and the concept of intermediated settlement at issue here. Both are squarely within the realm of 'abstract ideas' as we have used that term." *Id.* at 220.

Thus, the district court's approach was both correct and well-grounded in the principles established by this Court. Island's evidence was directed to showing the alleged inventiveness of claim elements like "determining and applying an interest rate to individual funds held in aggregate accounts," and "calculating the respective interest of each individual fund over a period of time," which are "economic and accounting activities deemed abstract." Pet. App. B at 8a. The district court determined that these claim elements recite abstract ideas as a matter of law, making any factual inquiry into the inventiveness of those claim limitations immaterial to the inquiry under § 101. *Id.* The district court explained that "Island's assertions that its claims "solve[] a difficult technical problem" do not address the fact that it does not point to a specific improvement to computer functionality," and noted that "[t]he R&R distinguishes cases relied on by Island where improvements were directed to non-abstract concepts." *Id.* In that way, this case is analogous to *Parker v. Flook*, where the claims were rejected because the alleged innovation was something that was not patent-eligible: a "mathematical algorithm or formula." 437 U.S. at 585-86. This case is also analogous to *Alice*.

In sum, contrary to Island's arguments, the lower courts did not disregard Rule 56 or this Court's decision in *Tolan v. Cotton*, 572 U.S. 650 (2014). Instead, they followed well-established precedent in finding that Island's claims were patent ineligible as a matter of law, and that Island's "evidence of unconventionality and inventiveness" was immaterial. *See* Pet. App. B at 8a.

II. The Court Should, Again, Reject A Challenge To The Federal Circuit's Use Of Rule 36 (Affirmance Without Opinion)

Island argues that the Federal Circuit erred in affirming the summary judgment ruling against it because the practice of issuing summary affirmances under Rule 36 is unlawful. This argument should be rejected.

Since 2020, this Court has denied at least seven challenges to the Federal Circuit's practice of issuing summary affirmances under Rule 36. *See Schwendimann v. Neenah, Inc.*, 144 S. Ct. 2579 (2024) (mem.) (No. 23-1023); *Traxcell Techs., LLC v. AT&T Inc.*, 144 S. Ct. 547 (2024) (mem.) (No. 23-547); *Ameranth, Inc. v. Olo Inc.*, 142 S. Ct. 2814 (2022) (mem.) (No. 21-1228); *Ultratec, Inc. v. CaptionCall, LLC*, 142 S. Ct. 460 (2021) (mem.) (No. 20-1700); *Bobcar Media, LLC v. Aardvark Event Logistics, Inc.*, 142 S. Ct. 235 (2021) (mem.) (No. 21-158); *Kaneka Corp. v. Xiamen Kingdomway Grp. Co.*, 140 S. Ct. 2768 (2020) (mem.) (No. 19-1228); *Chestnut Hill Sound Inc. v. Apple Inc.*, 140 S. Ct. 850 (2020) (mem.) (No. 19-591); *Power Analytics Corp. v. Operation Tech., Inc.*, 140 S. Ct. 910 (2020) (mem.) (No. 19-43); *Straight Path IP Grp., LLC v. Apple Inc.*, 140 S. Ct. 520 (2019) (mem.) (No. 19-253); *Strikeforce Techs., Inc v. Secureauth Corp.*, 140 S. Ct. 245 (2019) (mem.) (No. 19-103); *Senju Pharm. Co., Ltd. v. Akorn, Inc.*, 140 S. Ct. 116 (2019) (mem.) (No. 18-1418); *TS Pats. LLC v. Yahoo! Inc.*, 139 S. Ct. 1569 (2019) (mem.) (No. 18-1114); *Capella Photonics, Inc. v. Cisco Sys.*, 586 U.S.

988(2018) (mem.) (No. 18-314); *Integrated Tech. Sys. v. First Internet Bank of Ind.*, 586 U.S. 820 (2018) (mem.) (No. 17-1590); *Stambler v. Mastercard Int'l Inc.,* 536 U.S. 813 (2018) (mem.) (No. 17-1140); *Sec. People, Inc. v. Ojmar US, LLC*, 138 S. Ct. 2681 (2018) (mem.) (No. 17-1443); *Celgard, LLC v. Iancu*, 584 U.S. 959 (2018) (mem.) (No. 16-1526); *Integrated Claims Sys., LLC v. Travelers Lloyds of Tex. Ins.*, 584 U.S. 960 (2018) (mem.) (No. 17-330); *C-Cation Techs., LLC V. Arris Grp., Inc.,* 584 U.S. 961 (2018) (mem.) (No. 17-617); *Petter Invs. v. Hydro Eng'g*, 584 U.S. 916 (2018) (mem.) (No. 17-1055). The result here should be no different.

Island's petition does not identify a conflict of federal law. The petition does not argue that summary affirmances violate a statute or the Constitution. Instead, the petition purports to identify a conflict between the Federal Circuit's practice and that of other Circuit Courts. But it is common to dispose of cases by brief summary affirmance. That different Circuits' local rules use slightly different verbal formulations when issuing summary affirmances does not establish disagreement on a question of federal law.

A. Petitioner Does Not Present A New Reason For The Court To Revisit An Issue It Already Resolved

Petitioner argues that *Taylor v. McKeithen*, 407 U.S. 191, 194 (1972) indicates that this Court is required to address every appeal issue with a "written opinion explaining a ruling and the reasoning, factual and legal, in support." Pet. at 39. Petitioner's characterization of *Taylor* is incomplete. The issue in *Taylor* was the Fifth Circuit's summary <u>reversal</u> of the district court without an opinion. *Id.* at 194, n.4. A reversal necessarily means the Fifth Circuit disagreed with the lower court, but it did not state the basis for its disagreement or identify the error in the lower court's decision. Thus, "under the special circumstances" of that case the Court vacated the summary reversal. *Id.* That said, the Court expressly noted the difference between a summary reversal and summary affirmance:

> We, of course, agree that the courts of appeals should have wide latitude in their decisions of whether or how to write opinions. That is especially true with respect to summary affirmances.

Id. (emphasis added). Here, a summary affirmance indicates that the circuit court agreed with the court below and found it unnecessary to provide an additional opinion to repeat the same bases.

Petitioner also argues that *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83 (1993) indicates that Rule 36 affirmances are unlawful. Not so. In *Cardinal*, the Court addressed the Federal Circuit's practice of vacating declaratory judgments related to invalidity as "moot" after a determination of noninfringement. *Id.* at 95. The Court found that "even after affirming the finding of noninfringement" the Federal Circuit still had jurisdiction to consider the appeal from the declaratory judgment of invalidity. *Id.* at 96 (emphasis in original). Because the declaratory judgment was an independent claim, the Federal Circuit's decision on noninfringement did not deprive it of jurisdiction to also render an opinion on invalidity. *Id.* Unlike the issue in *Cardinal*, a Rule 36 affirmance does not address or vacate specific findings of the court below, instead it simply affirms the lower court's judgment without additional commentary.

B. Rule 36 Affirmances Are Well Understood

The underlying assertion of the petition is that Rule 36 affirmances leave the basis of affirmance unclear. Pet. at 40-41. This is wrong. As discussed above, the basis of the district court's summary judgment finding, which the intermediate court agreed with, was clear.

Rule 36 provides that "[t]he court may enter a judgment of affirmance without opinion" if "an opinion would have no precedential value" and if, as here, the decision below "is based on findings that are not clearly erroneous," has been entered without an error of law, or warrants affirmance under the standard of review in the statute authorizing the petition for review. FED. CIR. R. 36. Thus, when a Rule 36 summary affirmance is used to reject a legal challenge that is reviewed *de novo*, the summary affirmance communicates the court's judgment that the lower court committed no legal error. *See* FED. CIR. R. 36(a)(4) and (a)(5) (authorizing summary affirmance where "a judgment or decision has been entered without an error of law" or when "the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review"). The use of Rule 36 to reject a factual challenge would similarly communicate that the court found no clear error in the underlying factual finding. *See* FED. CIR. R. 36(a)(1) (permitting summary affirmance under Rule 36 if the decision below "is based on findings that are not clearly erroneous"). Likewise, Rule 36 may be used when the "the record supports summary judgment." FED. CIR. R. 36(a)(3). An opinion that merely stated no legal or factual error occurred and the record supports summary judgment would add little to what is already implicit in the court's Rule 36 judgment.

Further, "[a]ppeals whose judgments are entered under Rule 36 receive the full consideration of the court, and are no less carefully decided than the cases in which [the Federal Circuit] issue[s] full opinions." *U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1556 (Fed. Cir. 1997). And a panel's decision to issue a Rule 36 judgment shall be unanimous among the judges of a panel. Fed. Cir. I.O.P. 9(5) ("Rule 36 judgments shall be 'PER CURIAM.'"). The petition makes no allegation that a written opinion would change the outcome of the lower court's judgment or that the Federal Circuit judges are not deciding cases fully and fairly.

Finally, by adopting the Federal Rule of Appellate Procedure 36 in 1967, the Court already granted the circuit courts the ability to provide a judgment "without an opinion." In revisiting this issue, the Court confirmed in *Taylor* that "courts of appeals should have wide latitude in their decisions of whether or how to write opinions." 407 U.S. at 194 n.4. The Court specifically acknowledged that this principle "is especially true with respect to summary affirmances." *Id.*

C. There Is No Split In The Lower Courts

The petition argues that Federal Circuit Rule 36 is "out of step with other Circuits," but concedes, as it must, that Federal Rule of Appellate Procedure 36 "does not preclude appellate courts from issuing judgments without opinions." Pet. at 41 (emphasis added).[45]

The Federal Rules of Appellate Procedure authorize the adoption of local rules by appellate courts: "Each court of appeals acting by a majority of its judges in regular active service may, after giving appropriate public notice and opportunity for comment, make and amend rules governing its practice." Fed. R. App. P. 47. Every United States circuit court has exercised that authority and enacted local practice rules. And "no court has ever invalidated a local rule that was implemented pursuant to FRAP 36, which expressly allows for decisions without reasons," or "suggested that FRAP 36 is invalid." Matthew J. Dowd, "*Rule 36 Decisions at the Federal Circuit: Statutory Authority*," 21 VAND. J. ENT. & TECH. L. 857, 868 (2019).

As petitioner acknowledges, the Fifth, Eighth, Tenth, and Federal Circuits "permit one-word affirmances or judgments without opinion." Pet. at 41-42. While the petition is correct that the Local Rules for the Third Circuit do not expressly authorize summary affirmances, the petition omits that the Internal Operating Procedure for the Third Circuit permits a "judgment order . . . when the panel unanimously determines to affirm the judgment . . . and determines that a written opinion will have no precedential or institutional value." 3RD CIR. I.O.P. 6.1-6.2. Thus, including the Federal Circuit, five circuits expressly permit the issuance of summary affirmances.

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[45] The petition relies heavily on a non-peer reviewed article written by its counsel (cited as "Patently-O"). *See* Pet. at 7, 8, 19, 35, 41. Interestingly, while the article refers to a "circuit split," the petition does not claim such a "split" exists.

The other circuits do not, as the petition suggests, prohibit judgments without opinions. Instead, there is variation among the circuits as to the method of summarily disposing of an appeal. For example, First Circuit Rule 36 states, "[t]he clerk must prepare, sign, and enter the judgment: . . . if a judgment is rendered without an opinion." 1ST CIR. R. 36(a)(2). The Second Circuit's Internal Operating Procedure states, "[w]hen a decision in a case is unanimous and each panel judge believes that no jurisprudential purpose is served by an opinion (i.e., a ruling having precedential effect), the panel may rule by summary order." 2D CIR. I.O.P. 32.1.1(a); *see also Furman v. United States*, 720 F.2d 263, 264 (2d Cir. 1983) (*per curiam*) ("There is no requirement in law that a federal appellate court's decision be accompanied by a written opinion."). The Fourth and Sixth Circuits have issued opinions with short statements that summarily affirm for the reasons described by the district court. *See, e.g.*, *United States v. Danzell*, 698 F. App'x 93, 94 (4th Cir. 2017) (*per curiam*) ("We have reviewed the record and the district court's memorandum opinion and affirm for the reasons cited by the district court."); *Smith v. Gavulic*, 694 F. App'x 398, 399 (6th Cir. 2017) (*per curiam*) ("After reviewing the record, the parties' briefs, and the applicable law, we conclude that the district court's thorough and well-written opinion correctly articulates and applies the applicable law to undisputed facts and that the issuance of a full written opinion by this court would serve no jurisprudential purpose. Accordingly, for the reasons stated in the district court's opinion, we affirm."). At best, the petition identifies minor differences in the local rules and practices in how each circuit drafts summary affirmance orders. But any alleged differences in the local practices between circuit courts is not a basis for certiorari. SUP. CT. R. 10; *see also* 28 U.S.C. § 2071(a) (authorizing "[t]he Supreme Court and all courts established by Act of Congress" to "prescribe the rules for the conduct of their business").

With no valid criticism on point, the petition fails to raise a reason why, after decades of circuit courts properly issuing summary affirmances, this Court should reconsider the practice. This Court has regularly denied challenges to the Federal Circuit's use of summary dispositions under Rule 36, and the same result is warranted here.

D. This Case Is Not A Suitable Vehicle To Consider An Issue This Court Has Consistently Rejected

The petition contends that this is an appropriate vehicle for certiorari because it "illustrates the threat to litigants' Seventh Amendment right to a jury trial, and ability to properly understand and appeal decisions in patent cases." Pet. at 42.

First, the petition's Seventh Amendment argument has no merit because the grant of summary judgment does not violate the Seventh Amendment. *See Fid. & Deposit Co. v. United States*, 187 U.S. 315, 319-21 (1902); *see also Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 336 (1979) ("The Seventh Amendment has never been interpreted in the rigid manner advocated by the petitioners."); *Calvi v. Knox Cnty.*, 470 F.3d 422, 427 (1st Cir. 2006) ("[A] grant of summary judgment does not compromise the Seventh Amendment's jury trial right because that right exists only with respect to genuinely disputed issues of material fact."). Moreover, the question of patent eligibility is a question of law. *Berkheimer*, 890 F.3d at 1370. As explained above, this case was properly resolved as a matter of law, and there were no material factual disputes.

Second, even if this Court wanted to review an alleged error in a summary affirmance, this is not the vehicle in which to do it because, as explained above, the lower courts did not err. Island's claims resemble the claims rejected in *Alice* and *Bilski* and the determination that they were ineligible is not worthy of this Court's review.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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