

JAN 28 2014

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

ALICE CORPORATION PTY. LTD.,

*Petitioner,*

*v.*

CLS BANK INTERNATIONAL AND  
CLS SERVICES LTD.,

*Respondents.*

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

**BRIEF FOR SHFL ENTERTAINMENT, INC.  
AS *AMICUS CURIAE* IN SUPPORT  
OF NEITHER PARTY**

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## I. STATEMENT OF INTEREST

SHFL entertainment, Inc. (“SHFL”), based in Las Vegas, Nevada, is a leading global supplier of innovative products and technologies for the gaming industry, including table games, electronic game table systems, electronic betting interfaces, electronic gaming machines, website games, casino utility products, and other casino-based products (collectively “casino-based products and technologies”). For decades, SHFL has invested millions of dollars to design, develop, and promote new casino-based products and technologies that are widely used throughout the world. SHFL owns a sizeable portfolio of United States patents relating to its casino-based products and technologies, and relies on those patents to protect its significant investments. As a leading recipient and licensor of patents, SHFL is committed to maintaining both the integrity of the United States patent system and the quality of the patents themselves.

SHFL takes no position on the merits of the case based on the particular facts presented. Instead, SHFL submits this brief to support a decision by this Court, along the lines presented below, that would ensure that the patent laws continue to provide the incentives granted in the Constitution to promote the progress of science and the useful arts.<sup>1</sup>

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1. Pursuant to Supreme Court Rule 37.6, counsel listed on the cover states that this brief was authored by *amicus curiae* and reviewed by counsel, and that no counsel for a party authored this brief in whole or in part. Nor did any counsel for a party make a monetary contribution intended to fund the preparation or submission of this brief. In addition, all parties have consented to the filing of the *amicus* brief, and their consent letters are on file with the Clerk’s office.

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## II. SUMMARY OF ARGUMENT

Article I, Section 8 of the Constitution grants Congress broad power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Hence, the Constitution weaves into our national fabric the policy of rewarding inventors for their creative endeavors. Given its constitutional charge, Congress enacted the Patent Act of 1790. Since then, Congress has steadfastly supported the rights of inventors and the patent system as a whole.

Title 35 of the United States Code section 101, which finds its roots in the Patent Act of 1790, defines patent-eligible subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” Congress intended § 101 to be given wide scope. That is undisputed. A broad interpretation of § 101 undoubtedly fulfills the constitutional and statutory goal of promoting “the Progress of Science and useful Arts.”

This Court recognizes three exceptions to patent-eligible subject matter under § 101 for laws of nature, natural phenomena, and abstract ideas. These exceptions are intended to cover the basic tools of scientific and technical work. They are well-established and reflect sound policy. Yet § 101 contains no express limitations, and this Court has repeatedly cautioned against reading into the patent laws limitations and conditions that the legislature has not expressed. Thus, an obvious tension exists between the statute and its judge-made exceptions.

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To ease the tension, this Court has applied § 101 broadly, and the exceptions to it narrowly. It has resisted bright-line, categorical rules to determine patent-eligibility. It has endorsed flexibility over rigidity. In sum, this Court has demonstrated restraint in limiting § 101's scope to avoid reaching results that would inadvertently undermine the patent system as a whole.

This Court has now been asked to draw a bright-line as to whether claims to computer-implemented inventions are directed to patent-eligible subject matter within the meaning of § 101. It should refrain from doing so. Adopting a bright-line test here would represent a significant and disturbing departure from this Court's precedents. Moreover, adopting a single standard applicable to computer-implemented inventions may create unintended obstacles in other areas. Indeed, fashioning an overly restrictive standard for computer-implemented subject matter may inadvertently impede patentability on a wide range of other subject matters legitimately falling within the scope of § 101.

Rather, the Court should articulate a flexible inquiry to be applied in such cases under § 101. The inquiry could include a non-exhaustive list of factors drawn from this Court's precedents to aid the lower courts and the United States Patent and Trademark Office in resolving § 101 inquiries on a case-by-case basis. The inquiry should emphasize the limited scope of the exceptions to § 101 and the statutory presumption of validity afforded to all issued patents.

Finally, this Court should endorse a judicial approach to § 101 disputes where courts first address the invalidity

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defenses under §§ 102, 103, and 112 before addressing issues of patent eligibility under § 101, particularly in cases where the abstract ideas exception is raised.

### III. ARGUMENT

#### A. The Language, History, And Purpose Of § 101 Support A Broad Interpretation Of Patent-Eligible Subject Matter

The Constitution grants Congress broad power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. art. 1, § 8, cl. 8. Congress implemented this grant by broadly defining patent-eligible subject matter to include “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. Section 100(b) further provides that the “term ‘process’ means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.”

As outlined by Chief Judge Rader in his underlying opinion, Congress intended § 101 to be given wide scope. *See CLS Bank Intern. v. Alice Corp. Ltd.*, 717 F.3d 1269, 1294-97 (Fed. Cir. 2013) (Rader, C.J., concurring-in-part and dissenting-in-part). Specifically, to understand §§ 101 and 100(b) in context, this Court has advised that the “new” requirement in § 101 is now governed by § 102. *Diamond v. Diehr*, 450 U.S. 175, 189 (1981); *see* S. Rep. No. 82-1979, at 6 (1952) (“Section 102 . . . includes, in effect, an amplification and definition of ‘new’ in section 101.”).

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Similarly, whether a process, machine, manufacture, or composition of matter is “inventive” is not an issue under § 101; the condition for “more” than novelty is contained only in § 103. *See Dann v. Johnston*, 425 U.S. 219, 225-26 (1976) (explaining that although “an exercise of the of the inventive faculty” has been used as a judicial test, “it was only in 1952 that Congress, in the interest of uniformity and definiteness, articulated the requirement in a statute, framing it as a requirement of ‘nonobviousness.’”) (internal quotations and footnote omitted). Thus, as long as the “conditions and requirements” of patentability are met, a person who invents or discovers a useful process, or an improvement to one, may obtain a patent – and may do so even if the process includes only a new use of an old machine. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010).

Section 101’s breadth is demonstrated by, *inter alia*, the use of expansive categories modified by the comprehensive term “any.” In “choosing such expansive terms . . . modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.” *Diamond v. Chakrabarty*, 447 U.S. 303, 308-309 (1980); *Bilski*, 130 S. Ct. at 3225 (“Congress took this permissive approach to patent eligibility to ensure that ‘ingenuity should receive a liberal encouragement.’” (quoting *Chakrabarty*, 447 U.S. at 308)).

Section 101’s breadth is further demonstrated by the expansive definition of “process” in § 100(b). The “primary significance” of adding § 100(b) to the Patent Act of 1952 was to clarify that a method was not “vulnerable to attack, on the ground of not being within the field of patentable subject matter, merely because it may recite steps conventional from a procedural standpoint and the

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novelty resides in the recitation of a particular substance, which is old as such, used in the process.” P.J. Federico, *Commentary on the New Patent Act*, reprinted in 75 J. Pat. & Trademark Off. Soc’y 161, 177 (1993); see S. Rep. No. 82-1979, at 17 (“The . . . definition clarifies the status of processes or methods which involve merely the new use of a known process, machine, manufacture, composition of matter, or material; they are processes or methods under the statute and may be patented provided the conditions of patentability are satisfied.”). Thus, as noted by the Federal Circuit, changes were made to the 1952 Act to *broaden* patent-eligible subject matter and *eliminate doubt* caused by narrow interpretations given the prior statute. See *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1340 (Fed. Cir. 2013). “Moreover, not only did Congress expand the definition of ‘process’ in 1952, but Title 35 does not list a single ineligible category. At the time when Congress considered § 101, it broadened the statute and certainly did not place any specific limits on it.” *Id.* at 1340-41.

Additionally, in testimony requested by Congress, P.J. Federico, former chief patent examiner at the United States Patent & Trademark Office who co-drafted the Patent Act of 1952, explained that under the proposed amendment patent-eligible subject matter may include “anything that is under the sun that is made by man.” Hearing Before Sub-comm. No. 3 of the Comm. On the Judiciary, at 37 (1951); see S. Rep. No. 82-1979, at 5 (stating the same principle: so long as the conditions of patentability are met, anything made by man is patentable). The Supreme Court summarized the intent and meaning of these changes when it quoted and approved this famous statement. See *Diehr*, 450 U.S. at 182.

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In sum, “[t]he subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting ‘the Progress of . . . the useful Arts. . . .’” *Chakrabarty*, 447 U.S. at 315. This has been true for over 200 years to ensure that “ingenuity should receive a liberal encouragement.” *Id.* at 308-09 (quoting 5 Writings of Thomas Jefferson 75-76 (H. Washington ed. 1871)).

#### **B. The Abstract Ideas Exception To § 101 Should Be Applied Extremely Narrowly**

This Court recognizes three judge-made exceptions to § 101 for laws of nature, natural phenomena, and abstract ideas. *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012). These exceptions reflect sound policy and have generally defined § 101’s reach going back over 150 years. *Bilski*, 130 S. Ct. at 3225 (2010) (citing *Le Roy v. Tatham*, 14 How. 156, 174-175 (1853)). They are intended to cover the basic tools of scientific and technical work. *Mayo*, 132 S. Ct. at 1293.

But the legislature has never expressly limited § 101’s scope beyond its text, and this Court has repeatedly cautioned that courts “should not read into the patent laws limitations and conditions which the legislature has not expressed.” *Chakrabarty*, 447 U.S. at 308 (quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199(1933)). Indeed, to avoid improper narrowing by courts of congressional enactments, resort to judge-made exceptions to statutory grants must be rare. *See Western Union Tel. Co. v. Lenroot*, 323 U.S. 490, 514 (1945) (“[T]he judicial function does not allow us to disregard that which Congress has plainly and constitutionally decreed and to

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formulate exceptions which we think, for practical reasons, Congress might have made had it thought more about the problem”); *United States v. Rutherford*, 442 U.S. 544, 559 (1979) (“Whether, as a policy matter, an exemption should be created is a question for the legislative judgment, not judicial inference.”).

Accordingly, an obvious tension exists between the judge-made exceptions to § 101 and the statute’s plain language, history, and purpose. *See generally, Chakrabarty*, 447 U.S. at 308 (“In choosing such expansive terms as ‘manufacture’ and ‘composition of matter,’ modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.”); *id.* at 315 (“Broad general language is not necessarily ambiguous when congressional objectives require broad terms.”); *Mayo*, 132 S. Ct. at 1293 (“too broad an interpretation of [the exceptions to § 101] could eviscerate patent law”); *cf. Bilski*, 130 S. Ct. at 3226 (“This Court has not indicated that the existence of these well-established exceptions gives the Judiciary *carte blanche* to impose other limitations that are inconsistent with the text and the statute’s purpose and design.”).

This tension is particularly problematic as to the abstract ideas exception given its unclear boundaries. *See Le Roy*, 55 U.S. at 174 (1852) (“The word principle is used by elementary writers on patent subjects, and sometimes in adjudications of courts, with such a want of precision in its application, as to mislead.”); *Parker v. Flook*, 437 U.S. 584, 589 (1978) (“The line between a patentable ‘process’ and an unpatentable ‘principle’ is not always clear.”).

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In short, the exceptions to § 101 must be applied very narrowly to respect the language, history, and purpose of § 101, to avoid improper judicial legislation, and to account for the ambiguous scope of the judge-made exceptions, particularly the abstract ideas exception. This is especially true for issued patents since they are presumed to be valid absent clear and convincing evidence to the contrary. 35 U.S.C. § 282(a); *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011).

### **C. The Court Should Not Adopt Categorical Rules Regarding § 101**

This Court has consistently and deliberately avoided adopting any categorical rules regarding the scope of § 101 based on a legitimate concern that those rules might have wide-ranging and unforeseen impacts. *See Bilski*, 130 S. Ct. at 3229 (“Rather than adopting categorical rules that might have wide-ranging and unforeseen impacts, the Court resolves this case narrowly.”); *cf. id.* at 3236 (Stevens, J., concurring) (“The Court . . . [has] never provide[d] a satisfying account of what constitutes an unpatentable abstract idea.”). For example, in *Bilski*, this Court was asked to categorically place business method patents outside the scope of patent law. It declined to do so. *Id.* at 3228-29.

In *Diehr*, the Court was presented with claims directed to a computer-implemented method of curing synthetic rubber using a mathematical formula. 450 U.S. at 179-80. The Court could have concluded that all computer-implemented methods, or all method claims incorporating a mathematical formula, are categorically patent-ineligible. It declined to do so. Instead, the opposite

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conclusion was reached. *Id.* at 187 (“a claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula, computer program, or digital computer”).

In *Gottschalk v. Benson* and *Flook*, this Court found the claims-at-issue to be directed to patent-ineligible subject matter under § 101. Yet in both cases the Court quashed any doubts as to whether it was adopting any bright-line rules regarding § 101’s scope. *Benson*, 409 U.S. 63, 71 (1972) (“It is said that the decision precludes a patent for any program servicing a computer. We do not so hold.”); *Flook*, 437 U.S. at 590 (“a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm”).

The specific issue on appeal here is “[w]hether claims to computer-implemented inventions – including claims to systems and machines, processes, and items of manufacture – are directed to patent-eligible subject matter within the meaning of 35 U.S.C. § 101 as interpreted by this Court?” The Court should not resolve the question through the use of any bright-line rules or tests. This would represent a radical and disturbing departure from this Court’s precedents. Moreover, as a matter of policy, any bright-line rule or test would almost certainly have wide-ranging, unforeseen, and potentially adverse impacts on other fields and industries. This would be true for currently patented innovations as well as innovations that have yet to be developed. A bright-line test would, at best, only provide ostensible certainty.

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**D. A Flexible Inquiry For Patent-Eligibility Based On Guiding Concepts and Principles Is Appropriate**

Rather than adopting a categorical test or rule, this Court should articulate a flexible legal inquiry for determining patent-eligibility based on a list of non-exclusive factors drawn from this Court's precedents. *See, e.g., Phillips v. AWH Corp.*, 415 F.3d 1303, 1324 (Fed. Cir. 2005) (en banc) (instructing that "guidelines" are appropriate in situations where "there is no magic formula or catechism"). This legal inquiry should be performed on a case-by-case basis with no one factor carrying any undue weight so as to afford flexibility to both courts and the United States Patent and Trademark Office in applying the guidelines.

SHFL expresses no opinion as to the specific factors to be articulated by this Court as long as the factors are non-exclusive guidelines and equally weighed. Nonetheless, in SHFL's view, the legal inquiry ultimately adopted by this Court should expressly endorse, incorporate, or otherwise embody at least the following guiding concepts and principles.

First, it should be exceedingly rare that a duly issued patent is found to be directed to ineligible subject matter under the abstract ideas exception to § 101. Indeed, every issued patent is presumed to be valid absent clear and convincing evidence to the contrary. And as inquires regarding abstract claim qualities rarely lend themselves to clear and convincing conclusions, courts should err on the side of caution and find that patents are not directed to patent-eligible subject matter only in exceptional circumstances. This approach is supported by § 101 as a whole.

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Second, the inquiry should focus on a claim's actual language *as a whole*. See *Diehr*, 450 U.S. at 188 ("It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis."). An approach that permits ignoring claim terms would, "if carried to its extreme, make all inventions unpatentable because all inventions can be reduced to underlying principles of nature which, once known, make their implementation obvious." *Id.* at 189 n.12. The inquiry should certainly *not* focus on a summary, generalization, paraphrase, or parsing of a claim.

Third, courts should require a formal claim construction before making case-dispositive decisions under § 101. Many times, an invention's definition through claim construction can clarify the invention's basic character. Thus, a claim construction may clarify the actual subject matter at stake in the litigation. Further, it may enlighten or even answer questions about subject matter abstractness. Interpreting a claim that has not been properly construed amounts to little more than interpreting a generalization of the claim.

Fourth, the inquiry should exclude any factors that involve the search for an "inventive concept" in the claim. This is consistent with the Court's repeated warnings against conflating the principles of patent eligibility with those of validity. See *Diehr*, 450 U.S. at 190 ("The question therefore of whether a particular invention is novel is wholly apart from whether the invention falls into a category of statutory subject matter.") (internal quotation marks omitted). The use of the word "inventive" also invites unnecessary confusion as to the potential definition of the term "inventive" in relation to the term "invention." See

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*CLS Bank*, 717 F.3d at 1295-96 (Rader, C.J, concurring-in-part and dissenting-in-part) (describing efforts by Congress to *remove* any reference to a requirement of an “invention” with respect to patentability) (citing Giles S. Rich, *Principles of Patentability*, 28 GEO. WASH. L. REV. 393, 407 (1960) (“The drafters of the present statute did their best to take out of the law the undefinable concept of ‘invention.’ Whether lawyers will now take advantage of the terminology . . . and stop talking nonsense is up to them.”))).

Finally, the inquiry should distinguish broad claims from claims directed to an abstract idea under § 101. Those two claim types should not be conflated. Simply because a claim’s scope is broad does not mean that it is directed to an abstract idea. Indeed, a claim having extremely broad scope can still be directed to patent-eligible subject matter within the meaning of § 101, even though the claim may potentially be vulnerable to invalidity attacks.

**E. As To Issued Patents, Questions Of Eligibility Should Typically Be Deferred Until Questions Of Invalidity Have Been Resolved**

Aside from adopting a flexible inquiry for determining patent-eligibility, this Court should promote sensible procedural guidelines to be followed by the lower courts as to § 101 disputes. Guidance as to the proper timing of resolving § 101 disputes would be particularly helpful. In *MySpace v. GraphOn Corp.*, 672 F.3d 1250 (Fed. Cir. 2012), the Federal Circuit proposed a practical solution to the growing problem of § 101 motions being brought to the forefront of patent litigation matters. Specifically, the Federal Circuit proposed that following this Court’s lead, “courts should avoid reaching for interpretations of broad

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provisions, such as § 101, when more specific statutes, such as §§ 102, 103, and 112, can decide the case.” *Id.* at 1261. According to the Federal Circuit, following this approach will lead to greater efficiency, conserve valuable judicial resources, and help bring certainty to the courts and marketplace as to patent related disputes. *Id.* at 1260. It will also prevent § 101 claims from becoming “the next toss-in for every defendant’s response to a patent infringement suit.” *Id.* at 1261.

SHFL’s view is that this Court should expressly endorse the approach proposed by the Federal Circuit in *MySpace*, particularly as to disputes involving the abstract ideas exception. The *MySpace* Court’s warning that § 101 claims will become “the next toss-in for every defendant’s response to a patent infringement suit” is becoming a reality. In fact, not only have challenges based on § 101 become almost automatic in the context of business method patents and patents involving any type of computer-implemented claims, but they are now frequently arising in other contexts involving subject matters that have long been afforded patent protection. These § 101 attacks regularly conflate arguments relating to invalidity (*e.g.*, novelty) with arguments relating to eligibility. The § 101 attacks also regularly challenge claims having broad scope as being directed to an “abstract idea” under § 101, conflating these two disparate concepts. The district courts have only added fuel to the fire through their inconsistent holdings.

What is needed now from this Court are practical solutions to the growing problems associated with the uncertain state of the law concerning § 101, particularly as applied to business method patents and computer-implemented claims. SHFL encourages this Court to

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adopt the practical solution to the growing problems set forth in *MySpace*.

### CONCLUSION

SHFL respectfully requests that this Court reject any proposed bright-line tests relating to § 101 inquiries. Judicial wisdom compels this result. The Court should adopt a flexible inquiry that articulates non-exhaustive factors that courts and the United States Patent and Trademark Office can use to resolve § 101 inquiries. All factors articulated by this Court should be consistent with § 101's language, intent, and purpose to broadly promote the progress of science and the useful arts. Finally, this Court should expressly endorse the Federal Circuit's proposed approach to § 101 disputes set forth in *MySpace*.

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Respectfully submitted,

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