

No. 21-1056

IN THE
Supreme Court of the United States

UNIVERSAL SECURE REGISTRY LLC,
Petitioner,

v.

APPLE INC., VISA INC., VISA U.S.A. INC.,
Respondents.

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

In their brief in opposition, Apple and Visa conspicuously do not dispute the importance of the question presented. Nor could they, for there is widespread consensus, including among current and former Federal Circuit judges as well as inventors in a wide range of industries, that the Federal Circuit's patent-eligibility analysis under *Alice/Mayo* has become inconsistent and unpredictable in ways that take a heavy toll on the patent system and the Nation's economy. The *amicus* briefs in support of the Petition make this vividly clear. See, e.g., Brief of Paul R. Michel as *Amicus Curiae* in Support of Petitioner, at 2 ("The importance of improving patent eligibility law cannot be overstated. Section 101 is now the *de facto*, critical barrier to reliable patent protection for critical 21st-century technologies."); *id.* at 6 ("[T]he case law on patent eligibility is so confusing, complex, unclear, inconsistent, and unpredictable that it cannot be soundly applied by the system's vast number of users."); Brief of *Amicus Curiae* Intertrust Technologies Corp. in Support of Petitioner, at 9-10 ("The Federal Circuit's decisions on patent eligibility have harmed inventors ... that depend on predictability in patent eligibility determinations to incentivize and protect their creations.").

Nor do Apple and Visa dispute that this Court has never addressed the question presented here. The Court has never approved engrafting a specificity, unconventionality, and/or unexpected-results test onto *Alice/Mayo* step one, or decided whether an unexpected-results test can be reconciled with *Diamond v. Diehr*, 450 U.S. 175 (1981). Apple

and Visa also do not dispute that the decision below deepens an intracircuit split on consideration of conventionality at step one, or that the Federal Circuit applies overlapping and duplicative analyses at *Alice/Mayo* steps one and two.

Instead, Apple and Visa argue that certiorari should be denied because this Court has denied previous petitions in patent-ineligibility cases and this case is supposedly a poor vehicle for resolving the proper standard for patent-eligibility now. Both arguments are wrong.

First, even if previous certiorari denials were relevant (and they are not), the prior petitions Apple and Visa cite presented very different questions, some of which did not even concern the Section 101 standard. They fail to cite any prior petition asking this Court to clarify *Alice* step one and decide whether it requires specificity, unexpected results, or unconventionality.

Second, Apple's and Visa's "poor vehicle" arguments are all meritless. USR's patents are not substantially the same as the patent in *Alice*, as Apple and Visa misleadingly suggest (BIO 14-15). Their attempt (BIO 15-20) to reconcile the Federal Circuit's Section 101 decisions with *Alice* conflates *Alice/Mayo*'s two distinct steps. Contrary to their erroneous suggestion (BIO 17-18), USR did not invite error. And there is no basis for Apple's and Visa's contention (BIO 4, 20) that USR's patent claims are likely to be "invalidated on other grounds" if their now-stayed appeals of USR's favorable decisions by the Patent and Trademark Appeal Board ("PTAB") are reinstated. Fully seventy-two of USR's patent claims survived those IPR proceedings; Apple and

Visa appealed the PTAB's rulings only as to two of the four USR patents at issue; and Federal Circuit reversal of such PTAB rulings is rare.

Finally, the petition at a minimum should be held for *American Axle*. Contrary to Apple's and Visa's suggestion, this Court should resolve post-*Alice* conflicts and confusion as to "abstract ideas" as well as "natural laws," and as to technological patents as well as mechanical patents.

The petition should be granted.

I. Prior Denials Of Certiorari Are Irrelevant

Apple and Visa misplace reliance (BIO 12-13) on the fact that the Court has previously denied other post-*Alice* petitions in cases where patents were invalidated under Section 101. Such denials have no precedential force and do not express the Court's determination that the interpretation and application of Section 101 is no longer an appropriate issue on which to grant review.

In any event, the prior denials that Apple and Visa cite involved different issues and different questions presented. USR's petition asks this Court to clarify whether patent eligibility under 35 U.S.C. § 101 and step one of the *Alice/Mayo* test requires a showing of specificity, unexpected results, and/or unconventionality. That question was not presented in the petitions cited by Apple and Visa. For example, the petition in *Yu v. Apple*, No. 21-811, presented the question whether, in determining patent eligibility, "a patent claim should be considered 'as a whole' ... or instead, whether all conventional elements of the claim must be disregarded prior to determining its 'point of

novelty.” In some of the petitions cited by Apple and Visa, the question presented was not specific to Section 101 or even patents generally. For example, the question presented in *Ericsson Inc. v. TCL Communication Technology Holdings Ltd.*, No. 20-1130, concerned the correct application of the rule that a pretrial denial of summary judgment is not reviewable on appeal.

Further, following the denial of many of the cited petitions, the active Federal Circuit judges have made a “unanimous [and] unprecedented plea for guidance.” *American Axle & Mfg., Inc. v. Neapco Holdings LLC*, 977 F.3d 1379, 1382 (Fed. Cir. 2020) (Moore, J., concurring), *cert. pending* (No. 20-891). The Federal Circuit has thus conceded the importance of the predictable application of Section 101 to the efficient functioning of the Nation’s patent system. The question presented here has percolated in the Federal Circuit long enough and warrants this Court’s review.

II. Apple’s And Visa’s “Poor Vehicle” Arguments Lack Merit

Apple and Visa advance (BIO 13-21) several ill-conceived arguments that this case is a “poor vehicle” for the clarification of the *Alice/Mayo* test. None of those arguments has merit.

A. USR’s Patents Are Not “Strikingly Close” To The *Alice* Patent

Apple and Visa err in contending (BIO 14-15) that certiorari should be denied because of alleged similarities between the patent claims at issue here and those at issue in *Alice*. The only similarity they identify relates to a single claim limitation in only

one of the four USR patents. In truth, USR's patents are quite different.

The patent in *Alice* claimed a computerized scheme for mitigating settlement risk using a computer system as a third-party intermediary. 573 U.S. at 213-14. The patent recited three steps for hedging risk: “(1) initiating a series of financial transactions between providers and consumers of a commodity; (2) identifying market participants that have a counterrisk for the same commodity; and (3) initiating a series of transactions between those market participants and the commodity provider to balance the risk position of the first series of consumer transactions.” *Id.* at 218-19. This Court concluded at step one that the claims were drawn to the abstract concept of intermediated settlement, “a fundamental economic practice long prevalent in our system of commerce.” *Id.* at 219 (quoting *Bilski v. Kappos*, 561 U.S. 593, 611 (2010)).

USR's patents, in contrast, do not computerize a pre-existing fundamental economic practice. They instead provide solutions rooted in computer technology to overcome problems arising from the use of electronic devices to perform remote payment-card transactions, using new and specific combinations of computerized means to securely authenticate these transactions without revealing account-identifying information to untrusted third parties. Those combinations of secure authentication means include: (i) time-varying multi-character codes that identify the user, (ii) non-predictable values generated from the user's biometric information, (iii) variable one-time tokens, and (iv)

encrypted authentication information using non-predictable signals.

Apple and Visa ignore all these secure authentication means, falsely suggesting that the USR patents merely describe the use of a third-party intermediary. In fact, only one of the four USR patents at issue, the '539 patent, claims the use of an intermediary (and only in combination with other secure authentication means listed above). *See* App. 14a. The exemplary claims from the other three patents do not claim the use of an intermediary. And even the '539 patent addresses not settlement risk as in *Alice*, but rather the risk of exposing sensitive personal information when electronically transacting with a potentially untrusted merchant.

The decisions below confirm that the intermediary in the '539 patent plays a very different role than the intermediary in *Alice*. Neither the district court nor the Federal Circuit concluded that the abstract idea to which the '539 patent was allegedly directed was the use of an intermediary. Instead, the Federal Circuit held that the '539 patent was directed to the idea of “verifying the identity of a user to facilitate an economic transaction.” App. 13a.

Moreover, the Federal Circuit’s decision to issue a lengthy published decision belies any assertion that USR’s patents are the same as the patent in *Alice*. If USR’s patents were really the same as those in *Alice*, the Federal Circuit could have issued an affirmance without opinion as it typically does in cases clearly controlled by precedent. *See* Fed. Circ. R. 36.

B. Apple And Visa Conflate *Alice/Mayo* Steps One And Two

Apple and Visa similarly err in contending (BIO 15) that the Federal Circuit’s step-*one* analysis was a “run-of-the-mill application” of Federal Circuit law that is “consistent with this Court’s precedent.” In so arguing, they misleadingly rely (BIO 15-16) upon this Court’s and the Federal Circuit’s step-*two* case law. Apple and Visa contend, for example, that the Federal Circuit’s “unconventionality” and “unexpected results” requirements for step one “flow logically from” and “go to the same basic idea” as *Alice*’s statement that “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” BIO 16 (quoting *Alice*, 573 U.S. at 223). But that statement is contained in *Alice*’s step-*two* analysis.

Apple and Visa similarly argue that the Federal Circuit’s duplication of its step-one analysis when applying step two is correct because step two requires determining whether the patent “amounts to significantly more than a patent upon the ineligible concept itself.” BIO 18 (quoting *Alice*, 573 U.S. at 217-18) (emphasis omitted). That argument, however, is a *non sequitur*. To determine under step two whether a patent adds “significantly more” to an otherwise ineligible abstract idea, a court must first identify under step one whether the patent is directed to an abstract idea at all. Here, the Federal Circuit incorrectly employed at step one elements of the step-two “significantly more” analysis, such as the consideration of the conventionality of the

individual claim elements. That improperly puts the cart before the horse.

Apple and Visa thus erroneously import the analysis of *Alice/Mayo* step *two* into step one and fail to identify any suggestion by this Court that “specificity,” “unexpected results,” or “unconventionality” are relevant to *Alice/Mayo* step *one*. That question warrants this Court’s review.¹

C. USR Did Not Invite Error

Apple and Visa similarly err in mischaracterizing USR’s arguments as “invited error” (BIO 17-18). As their cited case, *United States v. Wells*, 519 U.S. 482 (1997), makes clear, the invited-error doctrine applies only to a party “who wishes to change its position on the way from the district court to the court of appeals.” *Id.* at 488. USR is not such a party because it has consistently maintained that its patent claims are eligible under 35 U.S.C. § 101.

Moreover, contrary to Apple’s and Visa’s incorrect suggestion (BIO 17-19), USR cannot be faulted for arguing below that its patents satisfied prior Federal Circuit precedents. For example, prior to the decision below, the Federal Circuit had already imposed on *Alice/Mayo* step one a specificity

¹ Apple and Visa also ignore that the Federal Circuit is internally split on whether the conventionality of the claim elements may be considered at step one at all. *See iLife Techs., Inc. v. Nintendo Am., Inc.*, 839 F. App’x 534, 537 (Fed. Cir. 2021); *Illumina, Inc. v. Ariosa Diagnostics, Inc.*, 967 F.3d 1319, 1329 (Fed. Cir. 2020).

standard, *Koninklijke KPN N.V. v. Gemalto M2M GmbH*, 942 F.3d 1143, 1150 (Fed. Cir. 2019); *Ancora Techs., Inc. v. HTC Am., Inc.*, 908 F.3d 1343, 1348 (Fed. Cir. 2018), and an unconventionality standard, *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1346 (Fed. Cir. 2018), of its own devising. Indeed, Apple and Visa effectively concede as much. See BIO 10, 16-17. The Federal Circuit had also held that steps one and two are “overlapping.” *Electric Power Group, LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016).

As *Wells* makes clear, however, USR’s application of circuit precedent is *not* invited error. In *Wells*, the government requested jury instructions consistent with circuit precedent and then sought review of that precedent in this Court, but the Court declined to find that invited error. 519 U.S. at 489. Here, too, USR did not invite error by conforming its arguments to prior, albeit incorrect, circuit precedent.

Finally, even if the application of lower court precedent in the briefing below constituted “invited error” (and it does not), that would not preclude review by this Court. *Wells* held that the invited-error doctrine “cannot dispositively oust this Court’s traditional rule that we may address a question properly presented in a petition for certiorari if it was ‘pressed [in] or passed on’” by the Court of Appeals.” *Id.* at 488 (quoting *United States v. Williams*, 504 U.S. 36, 42 (1992)). Because USR preserved its argument that its patent claims are eligible, it “can make any argument” that supports them in this Court. *Citizens United v. F.E.C.*, 558 U.S. 310, 331 (2010). See also *Dewey v. City of Des*

Moines, 173 U.S. 193, 198 (1899) (“Parties are not confined here to the same arguments which were advanced in the courts below upon a federal question there discussed.”).

D. Invalidation Of USR’s Patents On Other Grounds Is Unlikely

Apple and Visa misdirect the Court in contending (BIO 4, 20-21) that this case is a poor vehicle because USR’s patent claims are supposedly likely to be invalidated on other grounds if the case is reversed and remanded and their appeals of PTAB decisions favoring USR are revived. To begin with, Apple and Visa inaccurately state (BIO 20) that “most of USR’s asserted claims have already been held unpatentable by the Patent Office.” While the PTAB held unpatentable some patent claims that Apple and Visa challenged in IPR proceedings, fully 72 of USR’s patent claims survived those proceedings, either because Apple and Visa did not challenge them or because the PTAB upheld their validity (38 claims from the ’539 patent, 24 claims from the ’826 patent, 5 claims from the ’137 patent, and 5 claims from the ’813 patent). And Apple and Visa appealed from the PTAB rulings only as to the ’539 and ’826 patent claims in their now-stayed appeals, *see* BIO 20 n.11. Accordingly, by any measure, Apple and Visa’s appeals of the PTAB’s validity rulings cannot invalidate all of the patent claims at issue in this petition, and a grant in this case *would* make a difference to the ultimate outcome.

Moreover, Apple and Visa have no basis for their bold *ipse dixit* (BIO 20) that “in all likelihood” they would prevail if their now-stayed appeals from the PTAB rulings “spring back to life.” To the contrary,

the Federal Circuit's own statistics show that it reverses in only about 9% of appealed decisions from the Patent Office. *U.S. Court of Appeals for the Federal Circuit, Appeals Filed, Terminated, and Pending During the Twelve-Month Period Ended September 30, 2021*, available at <https://cafc.uscourts.gov/wp-content/uploads/reports-stats/appeals/AppealsFY2021.pdf>. Therefore, if the Court grants this petition and reverses, the PTAB's rulings against Apple and Visa are highly likely to be *affirmed*, not reversed, dispelling any concern that this case is a problematic vehicle for that reason.

III. A Hold Pending Resolution Of *American Axle* Is Appropriate

Apple's and Visa's arguments against holding this petition pending resolution of *American Axle* are meritless.

First, Apple and Visa fail to explain (BIO 21) why it matters that the patents in this case and in *American Axle* involve different technologies. Both this petition and the petition in *American Axle* ask this Court to clarify the correct application of the *Alice/Mayo* test and, in particular, step one of that test. That the technologies differ is immaterial since that test is not technology-specific.

Second, Apple and Visa mischaracterize the questions presented here and in *American Axle* as different. Apple and Visa contend (BIO 21) that "*American Axle* asks this Court to review whether the Federal Circuit applied the correct standard for determining whether an invention is directed to a natural law." In fact, the *American Axle* petition asks, "What is the appropriate standard for

determining whether a patent claim is ‘directed to’ a patent-ineligible concept under step 1 of the Court’s two-step framework for determining whether an invention is eligible for patenting under 35 U.S.C. § 101?” That question is not limited to determining whether patents are directed to a “natural law,” but instead focuses on the eligibility standard generally. If this Court clarifies the step-one analysis in *American Axle*, as the petitioner there requests, it would affect the correct analysis in this case. Moreover, Apple and Visa have no answer to USR’s argument (Pet. 32-33) that ninety percent of post-*Alice* decisions are in the software/IT industry, which typically concern application of the abstract idea exception, underscoring the value of review here.

Finally, Apple and Visa engage in judge-counting, arguing (BIO 22) that *American Axle* was decided by an evenly divided en banc sitting of the Federal Circuit, while this case was decided by a unanimous three-judge panel. That, however, is at best a reason to grant certiorari in *American Axle*, not a reason not to hold petitions involving similar questions. Moreover, this case, too, evenly divided the judges who reviewed USR’s patent claims, with the magistrate judge and and a three-judge PTAB panel (unlike the district court and the Federal Circuit panel) upholding the claims they reviewed for patent eligibility. This case thus presents conflicting judicial views warranting this Court’s resolution as in *American Axle*.

CONCLUSION

The petition should be granted or, in the alternative, held pending resolution of *American Axle*.

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