

No. 15-

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

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TRADING TECHNOLOGIES INTERNATIONAL, INC.,  
*Petitioner,*

v.

MICHELLE K. LEE, DIRECTOR,  
UNITED STATES PATENT AND TRADEMARK OFFICE,  
*Respondent.*

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

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**PETITION FOR WRIT OF CERTIORARI**

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**QUESTION PRESENTED**

Did the court of appeals err in denying mandamus and allowing the Patent Trial and Appeal Board (“PTAB”) to conduct a trial outside of its jurisdiction in a covered business method (“CBM”) review on a patent that is clearly and indisputably not a CBM patent, in contravention of the Leahy-Smith America Invents Act (“AIA”)?

**PARTIES TO THE PROCEEDING BELOW**

Trading Technologies International, Inc. was the petitioner and Michelle K. Lee, Director, United States Patent and Trademark Office, was the respondent in the court of appeals. Trading Technologies International, Inc., is the patent owner in the Patent Office proceedings, and TradeStation Group, Inc. and TradeStation Securities, Inc. are the petitioners in the Patent Office proceedings.

There are no corporations or publicly held companies that own 10 percent or more of the stock of Trading Technologies International, Inc., and Trading Technologies International, Inc. has no parent corporation.

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## OPINIONS

The judgment of the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) in *In re: Trading Technologies International, Inc.*, No. 2016-120 (Fed. Cir. Mar. 18, 2016), has not been reported. It is set out at pages 1a and 2a of the Appendix to this Petition. The opinion of the Patent Trial and Appeal Board (“PTAB”) in *TradeStation Group, Inc. v. Trading Technologies International, Inc.*, CBM2015-00161, Paper 29 (P.T.A.B. Jan. 27, 2016), has not been reported. It is set out at pages 3a-39a of the Appendix.

## JURISDICTION

The Federal Circuit entered judgment on March 18, 2016. Trading Technologies International, Inc. invokes the jurisdiction of this Court under 28 U.S.C. § 1254(1).

## CONSTITUTIONAL AND STATUTORY PROVISIONS

U.S. Const. art. I, § 8, cl. 8 (in relevant part):

The Congress shall have 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 . . . .

Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-31 (2011) (in relevant part):

(a) TRANSITIONAL PROGRAM.—

(1) ESTABLISHMENT. . . .

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

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(d) DEFINITION.—

(1) IN GENERAL.—For purposes of this section, the term “covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

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## STATEMENT OF THE CASE

Trading Technologies International, Inc. (“Trading Technologies”) creates technological tools—specifically, graphical user interface (“GUI”) tools—designed to improve electronic trading of

derivatives, such as futures. Importantly, Trading Technologies' GUI-tool patents do not cover the business practice of trading, but rather the patents cover features of a technological tool used in that practice—akin to a physical device that a user can see, touch, and interact with. Such patents are clearly not within the express jurisdictional reach of Section 18 of the AIA. To remove any doubt (and there is none), when promulgating the AIA, Congress expressly identified GUI tools for use in the field of electronic trading as an exemplary technology outside the scope of CBM review—the distinction being a patent to a technological GUI tool akin to a physical device versus a patent directed to implementing a business practice on a computer. The PTAB, however, has repeatedly instituted CBM review of Trading Technologies' technological GUI-tool patents. The Federal Circuit incorrectly refused to grant mandamus to cure this jurisdictional overreach.

The case presents important issues with far reaching consequences for many different industries where GUIs are becoming ever more important. GUI development is part of the scientific field of Human Computer Interaction. Just as people control machines with physical devices (e.g., levers, buttons, etc.), people can control computing equipment with GUI tools. GUI tools are forms of specialized physical devices of the Information Age. For example, virtual buttons have replaced physical interface elements like keypads, but people interact with the GUI tools similar to physical devices. A patent today claiming a GUI tool with an allegedly

innovative arrangement of graphical buttons to better control access to a safe, for example, should not be treated differently than a patent claiming the same arrangement of physical buttons on a keypad. That would ignore the reality of innovation today. GUI development is critical to converting computing devices into useful tools. For example, an iPhone is useless without GUIs and becomes a different tool (e.g., phone, calculator, compass, gaming device, etc.) depending on which GUI is run. Likewise, new innovations in the cockpits of automobiles and airplanes are coming in the form of GUI tools.

## I. Covered Business Method Review

### A. CBM Review Provides an Extraordinary and Advantaged Proceeding for Petitioners to Challenge Specific Types of Patents

CBM review is an adversarial post-grant proceeding conducted by the PTAB. *See* AIA § 18(a)(1); 37 C.F.R. § 42.300. CBM review provides numerous benefits to petitioners over patent actions in district court and other post-grant proceedings at the PTAB.

Compared to district court, petitioners face a lower hurdle in CBM review to succeed on an invalidity challenge. District court challengers must prove invalidity by “clear and convincing” evidence, *see Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1309-10 (Fed. Cir. 2011), while CBM petitioners need to show unpatentability by only a

“preponderance of the evidence,” 35 U.S.C. § 326(e); see AIA § 18(a)(1) (stating that CBM proceedings “shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35”). At the same time, patent owners are greatly restricted in the type and amount of discovery allowed in a CBM review as compared to district court proceedings. See 37 C.F.R. §§ 42.224, 42.51 (defining a “limited discovery” regime); *Bloomberg Inc. v. Markets-Alert Pty Ltd.*, CBM2013-00005, Paper 27 at 4 (P.T.A.B. May 17, 2013) (“In a covered business method patent review, discovery is limited as compared to that available in district court patent litigation.”). Also, in assessing unpatentability, the PTAB applies the broadest reasonable claim interpretation, which may give broader meaning to patent claim terms than the standard under *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), applied in district court. See *Facebook, Inc. v. Pragmatus AV, LLC*, 582 F. App’x 864, 869 (Fed. Cir. 2014) (“The broadest reasonable interpretation of a claim term may be the same as or broader than the construction of a term under the *Phillips* standard. But it cannot be narrower.”).<sup>1</sup> Congress’ purported reason to provide this extraordinary CBM review for certain business method patents was its belief that

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<sup>1</sup> The question of whether the “broadest reasonable interpretation” standard is the appropriate standard for post-grant proceedings is before this Court in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (U.S.).

some of such patents, especially ones granted at certain time periods, may be of questionable quality based on an alleged lack of a good source of prior art for the PTO upon which to base examinations during those periods. *See* 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer, AIA co-sponsor) (“The ability to easily obtain business method patents without a rigorous and thorough review in the Patent Office has created a flood of poor quality business method patents . . .”). This concern did not apply to non-business method patents and other patents outside of the jurisdictional scope of the statute, such as the one at issue here.

CBM review also offers numerous advantages over other post-grant proceedings before the PTAB, like *inter partes* review. For example, *inter partes* review is limited to prior art challenges under 35 U.S.C. §§ 102 and 103, but in a CBM review, the petitioner may raise all invalidity grounds permitted under 35 U.S.C. § 282(b), including challenges under 35 U.S.C. §§ 101 and 112. *See* 37 C.F.R. §§ 42.104(b)(2), 42.304(b)(2).

Following a final written decision in *inter partes* review, the petitioner is estopped from asserting claims in future PTAB or district court proceedings on any ground that was raised or that reasonably could have been raised in the *inter partes* review. 35 U.S.C. § 315(e). In contrast, CBM petitioners are only estopped from asserting claims on grounds actually “raised” in the CBM review. AIA § 18(a)(1)(D).

CBM petitioners also have greater flexibility on the timing of a CBM petition. The AIA requires petitioners seeking *inter partes* review to file a petition within one year after being served a complaint for patent infringement, *see* 35 U.S.C. § 315(b), but no such deadline applies to CBM review. CBM petitioners may seek review regardless of the stage of any related district court litigation. Indeed, in the instant proceeding below, petitioner TradeStation filed its CBM petition over *five years* after being served with a complaint. *See* Summons, *Trading Techs. Int'l, Inc. v. TradeStation Sec., Inc.*, No. 1:10-cv-00884 (N.D. Ill.) (Dkt. Nos. 14, 15) (noting summons executed May 24, 2010); *TradeStation*, CBM2015-00161, Paper 2 at 61 (P.T.A.B. July 20, 2015).

In addition, Congress promulgated special stay provisions for CBM review that are not applicable to *inter partes* review. Specifically, Congress “place[d] a very heavy thumb on the scale in favor of [CBM] stay[s]” by creating a stay test applicable only to CBM review and also providing for immediate interlocutory review of CBM stay decisions. 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer); AIA § 18(b). Accordingly, district courts commonly stay proceedings pending CBM review. *See* Docket Navigator Analytics, <https://www.docketnavigator.com/browse/results/0581955e-20dc-ed9a-7704-9a4fa2631abb> (last visited June 14, 2016) (granting approximately 70% of motions to stay pending CBM review in 2016 year-to-date).

Again, this extraordinary treatment was based on Congress' belief that certain business method patents may be of more suspect quality under various provisions of the patent laws as compared to other patents. *See* 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin) (“[T]he business method patent problem that Section 18 is intended to address is fundamentally an issue of patent quality.”).

B. CBM Review Is Only Available  
for a Subset of Business Method  
Patents

Given the substantial advantages of CBM review for petitioners, Congress limited the availability of CBM review to certain business method patents—specifically, “covered business method” patents. AIA § 18(a)(1)(E) (“The Director may institute a transitional proceeding *only* for a patent that is a covered business method patent.” (emphasis added)). The AIA defines “covered business method patent” as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1). Thus, CBM patents have three mandatory features: (1) they must claim “data processing” methods or “other operations,” (2) they must claim inventions used with financial products or services, and (3) they must claim inventions that are not “technological inventions.” *Id.*

Congress only intended to target this limited group of business method patents, which it worried were of “poor quality”:

Business method patents are the bane of the patent world. . . . One of the main reasons for the poor quality of business method patents is the lack of readily accessible prior art references. . . . The ability to easily obtain business method patents without a rigorous and thorough review in the Patent Office has created a flood of poor quality business method patents . . . .

157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer, AIA co-sponsor); *see also* 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer, AIA co-sponsor) (“Business method patents are anathema to the protection the patent system provides . . . . Often, business method patents are issued for practices that have been in widespread use in the financial industry for years . . . . [But] those practices aren’t identifiable by the PTO as prior art . . . .”); 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin) (“I cast this vote after receiving assurances from my colleagues that the scope and application of section 18 would be appropriately constrained, as it is critically important that this section not be applied in a way that would undermine the legislation’s focus on protecting legitimate innovation and job creation.”).

In defining CBM patents, Congress expressly excluded “technological inventions.” AIA § 18(d)(1); *see also* 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Kirk) (“I vote for this legislation with the understanding that Section 18, which establishes a review process for business-method patents, is not too broadly interpreted to cover patents on tangible products that claim novel and non-obvious software tools used to execute business methods.”). According to the Patent Office, whether a patent is a “technological invention” hinges on “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art,” and whether it “solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). Some routine PTAB decisions<sup>2</sup> have found, for example, that patents claiming novel uses of technology or advances resolving technical glitches of prior systems are technological inventions and thus outside the scope of CBM review. *See, e.g., E\*Trade Fin. Corp. v.*

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<sup>2</sup> The PTAB designates decisions one of four ways: precedential, informative, representative, or routine. Patent Trial and Appeal Board, Standard Operating Procedure 2 (Revision 9) at 1-2 (2014), <http://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf>. “Precedential” decisions are binding on other panels. *Id.* at 2-3. “Informative” and “representative” decisions provide guidance but are not binding, and undesignated or “routine” opinions are also not binding. *Id.* at 3-4.

*Droplets, Inc.*, CBM2014-00124, Paper 15 at 7-9 (P.T.A.B. Oct. 30, 2014) (finding that the challenged patent was not a CBM patent where the claimed combination changed “a fundamental technical operation of a computer system”); *GSI Commerce Sols., Inc. v. Arunachalam*, CBM2014-00101, Paper 10 at 11-13 (P.T.A.B. Oct. 7, 2014) (finding that the challenged patent was not a CBM patent where the claims recited the “facially . . . technical solution” of “solving the technical problem of connecting to a [service]” by completing a connection in a particular way). These decisions, however, are neither binding nor uniform in application.

In *Versata*, the Federal Circuit criticized the Patent Office’s interpretation of “technological invention[s],” finding that the agency’s definition does not “offer anything very useful in understanding the meaning of the term.” *Versata*, 793 F.3d at 1326. The Federal Circuit concluded, however, that the claimed invention in *Versata* was not a technological invention because it did not solve a technical problem using a technical solution. *Id.* at 1327. (“Indeed, contrary to *Versata*’s argument that the invention ‘leveraged the hierarchal data structures used by large companies to organize pricing information,’ we agree with the PTAB that this is not a technical solution but more akin to creating organizational management charts.”). *Versata* raised this issue to this Court in a recently filed petition for a writ of certiorari. Petition for Writ of Certiorari, *Versata Dev. Gr., Inc. v. SAP Am., Inc.*, No. 15-1145 (filed Mar. 11, 2016).

When drafting AIA § 18, Congress considered aligning the definition of CBM patents with the 705 classification traditionally assigned to “business method” patents during examination, but rejected that proposal. *See, e.g.*, 157 Cong. Rec. S5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer, AIA co-sponsor) (noting other patent classes contained CBM patents and the bill “changes the definition . . . so that it does not directly track the class 705 language”). Instead, Congress explicitly identified certain types of patents in class 705 that are not “covered business method” patents despite relating to financial products or services, including patents directed to “machinery to count . . . currency” and “novel software tools and graphical user interfaces [GUIs] that have been widely commercialized and used within the electronic trading industry to implement trading and asset allocation strategies.” 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin).

## II. U.S. Patent No. 6,766,304

U.S. Patent No. 6,766,304 (“the ’304 patent”) covers “a graphical user interface for displaying the market depth of a commodity traded in a market.” ’304 patent at 3:15-20. The patent relates a “versatile and efficient tool” that happens to be used for electronic trading. *Id.* at 1:19. The ’304 patent is owned by Trading Technologies, a U.S. company with over 350 employees that makes and sells computer-implemented tools for traders, including tools covered by the ’304 patent. For over twenty

years, Trading Technologies has designed and developed improved GUI tools and platforms that have allowed thousands of traders to work more quickly and accurately.

The patent explains that speed and accuracy are important issues with GUI tools for electronic trading. *Id.* at 2:47-65. The claimed GUI tool of the '304 patent addressed at least several technical shortcomings in prior art GUI tools. For example, GUI tools display data, such as the price and quantity of commodities available for sale, that is received in a data communication from an electronic exchange. *Id.* at 2:60-61. In prior art GUIs, such as shown in Figure 2, a displayed price value could unexpectedly change under a user's pointer just at the moment he clicked a location on the GUI, causing an order message to be sent with an unintended price value parameter. *Id.* at 2:60-3:6. As a result, the expected order message and the actual order message sent did not necessarily align, a potentially costly error. *Id.* at 2:60-65.

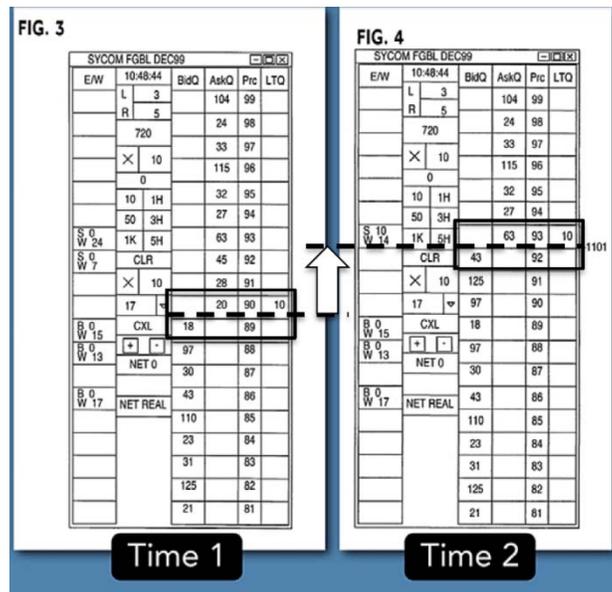
In addition, the claimed invention illuminated that prior art GUIs also had poor usability because displaying the best bid indicators (representing quantities to buy) and best ask indicators (representing quantities to sell) at the same location make it hard to track changes in the market. *See id.* at 6:25-32, 7:30-40. Because prior art systems utilized displays in which both bid and ask prices descend, bid prices would descend as prices decreased, and ask prices would descend as prices increased. *Id.* at 7:27-35. The claimed invention

offers an alternative to this “counterintuitive and difficult to follow” system. *Id.* at 7:35-37.

The claimed GUI tool in the '304 patent solves this problem by dynamically displaying indicators (representing quantities to buy (bid) and sell (ask) available in the market) in locations relative to a static price axis such that the best bid/ask indicators move relative to the price axis when updates reflecting a new best bid price or best ask price are received. *Id.* at 3:15-20, 7:19-25, 7:40-8:18. The claimed GUI tool also provides for an order entry region with locations corresponding to different levels along the price axis. These locations (analogous to buttons on a physical device) are selectable by a single action of a user (e.g., a single mouse click) to both set parameters for an order message (e.g., type of order and price value) and to send the electronic order message to the electronic exchange. This combination fixes the position of order entry locations (used to place an order) on the interface relative to the levels along the price axis, meaning that even if market conditions change—i.e., the best bid or ask indicators move on the display—the value associated with the location that the user is selecting is less likely to inadvertently change before selection, making it less likely that the user will make an error when attempting to enter orders rapidly. *Id.* at 7:54-8:19. This is a classic technical problem of speed and accuracy.

Figures 3 and 4 of the '304 patent, reproduced below, illustrate the patented GUI tool, showing the user interface before (Figure 3) and after (Figure 4)

an update from the electronic exchange reflecting a change to the best bid or best ask prices (the “inside market”).



*Id.* at Figs. 3 (annotated), 4 (annotated). In Figure 3, the inside market for the commodity is 18 (best bid quantity) at 89 (best bid price) and 20 (best ask quantity) at 90 (best ask price). *Id.* at Fig. 3, 7:59-61. In Figure 4, the inside market has risen three ticks, and thus is 43 (best bid quantity) at 92 (best bid price) and 63 (best ask quantity) at 93 (best ask price). *Id.* at Fig. 4, 9:5-10. As shown above, while the quantities reflected in the bids (BidQ) and asks (AskQ) columns dynamically adjust with the changing price, the values along the price axis (Prc) remain still. *See id.* at 9:10-13.

The claims of the '304 patent recite the makeup, structure, and features of this GUI tool. *See, e.g., id.* at 12:36-13:3. Representative claim 1 recites in the preamble “[a] method for displaying market information relating to and facilitating trading of a commodity being traded in an electronic exchange having an inside market with a highest bid price and a lowest ask price on a graphical user interface.” *Id.* at 12:36-39. The claim body recites that the GUI “dynamically displays” a best bid indicator (the “first indicator”) and a best ask indicator (the “second indicator”) in locations of bid/ask display regions corresponding to levels along a common static price axis. *Id.* at 12:41-61. The claim further requires that the bid/ask display regions are displayed such that when market updates are received from the electronic exchange (in the form of messages), the levels along the common static price axis do not move, but the first and second indicators move in the bid/ask display regions relative to the static price axis. *Id.* The claim further requires that the GUI displays an order entry region with locations corresponding to levels along the static price axis that can be selected by a single action of a user input device to set parameters and send an order message. *Id.* at 12:62-13:3. This combination of GUI features was twice allowed by the Patent Office—during original examination and then again on reexamination. *See* '304 patent; *Ex parte Kemp*, No. 6739 (Mar. 31, 2009). While the claims refer to trading, trading is merely the claimed invention’s application. The claimed invention is a GUI tool. In summary, the heart of the claims defines the makeup, structure and features of a GUI

tool—not a business method such as a trading strategy.

Unlike the Figure 2 prior art type GUI, if a user selects an order entry location at the same moment that the GUI changes the best bid or ask indicators to reflect a market change, the order message will much more likely be set with the correct user's intended price value because the order entry region remains associated with the same level along the price axis, even when the bid/ask indicators move. '304 patent at 7:15-46, Figs. 3, 4. The claimed invention also improves usability (another classic technical problem) by providing a more intuitive visualization of market changes than prior GUI tools of the sort shown in Figure 2. *Id.* at 7:15-46.

Multiple forums have confirmed the validity of the '304 patent, including the Federal Circuit, the United States District Court for the Northern District of Illinois, and the Patent Office. See *Trading Techs. Int'l, Inc. v. CQG, Inc.*, No. 05-cv-4811, 2015 WL 774655, at \*5 (N.D. Ill. Feb. 24, 2015) (finding claims patent eligible under 35 U.S.C. § 101); *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1345 (Fed. Cir. 2010) (affirming jury verdict of no invalidity, including *inter alia* no indefiniteness and no on-sale bar); *Ex parte Kemp*, No. 6739 (Mar. 31, 2009) (confirming patentability on reexamination). The district court finding that the claims of the '304 patent are patent eligible under 35 U.S.C. § 101 is currently before the Federal Circuit on appeal. *CQG*, 2015 WL 774655, at \*5,

*appeal docketed*, No. 16-1616 (Fed. Cir. Feb. 24, 2016).

### III. CBM Review of the '304 Patent

The '304 patent has been subject to several requests for CBM review by co-defendants in litigations involving the '304 patent. In CBM2014-00136, the PTAB denied institution, finding the petitioner had not shown that any claim of the '304 patent was more likely than not unpatentable. *TD Ameritrade Holding Corp. v. Trading Techs. Int'l, Inc.*, CBM2014-00136, Paper 19 at 2 (P.T.A.B. Dec. 2, 2014). In CBM2015-00057, the PTAB found that a different co-defendant was barred from seeking CBM review because it had filed a prior action seeking declaratory judgment of invalidity. *CQG, Inc. v. Trading Techs. Int'l, Inc.*, CBM2015-00057, Paper 13 at 2 (P.T.A.B. July 10, 2015).

In the third petition filed by yet another co-defendant, the PTAB instituted CBM review of the '304 patent on only § 101 grounds, despite that the Federal Circuit is already reviewing the district court's decision that the '304 patent is patent eligible under § 101.<sup>3</sup> App. 4a; *CQG*, 2015 WL 774655, at \*5,

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<sup>3</sup> Recently, the PTAB instituted the CBM petition of a fourth co-defendant on the same § 101 grounds and joined the proceeding with CBM2015-00161. See *IBG LLC v. Trading Techs. Int'l, Inc.*, CBM2016-00035, Paper 10 at 2 (P.T.A.B. Apr. 4, 2016).

*appeal docketed*, No. 16-1616 (Fed. Cir. Feb. 24, 2016). In its institution decision, the PTAB did not “give much, if any, deference” to any of the prior Patent Office or judicial opinions, even those that specifically addressed § 101. App. 12a n.3; *see, e.g., TradeStation Grp., Inc. v. Trading Techs. Int’l, Inc.*, CBM2015-00161, Patent Owner Ex. 2006 (P.T.A.B. Aug. 21, 2015) (district court’s § 101 opinion, attached as an exhibit to Trading Technologies’ preliminary response). Despite the plain language of the statute and despite the legislative history of the AIA expressly identifying GUI tools as being outside the scope of CBM review, the PTAB decided that the ’304 patent was a CBM patent. *See* App. 14a-15a, 21a-22a.

#### IV. The Petition for Writ of Mandamus

Following institution, Trading Technologies sought mandamus relief from the court of appeals because the ’304 patent is clearly and indisputably not a CBM patent. The panel, however, summarily denied Trading Technologies’ petition. Citing the majority opinion in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), a split-panel decision holding that a patent’s CBM status may be reviewed on appeal, the panel stated that Trading Technologies could raise its arguments following a final written decision in the CBM proceeding. App. 1a-2a (citing *Versata*, 793 F.3d at 1323); *see also Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1338 (Fed. Cir. 2016); *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1314 (Fed. Cir. 2015).

To date, however, the Patent Office—like the dissenting opinion in *Versata*—has taken the position that the question of whether a patent qualifies as a CBM patent is not subject to appellate review pursuant to 35 U.S.C. § 324, even after a final written decision. *See, e.g.*, Brief for Intervenor at 13, *Versata*, 793 F.3d 1306 (No. 2014-1194), 2014 WL 1878618, at \*13 (May 1, 2014) (arguing that “[the Federal Circuit] lacks jurisdiction to review [the Patent Office’s] determination that the . . . patent constitutes a ‘covered business method patent’”); Brief for Intervenor at 16, *Blue Calypso*, 815 F.3d 1331 (No. 15-1391), 2015 WL 4400825, at \*1 (July 15, 2015); *Versata*, 793 F.3d at 1337 (Hughes, J., dissenting) (dissenting from holding that CBM designation may be reviewed on appeal and noting, “I cannot agree with the majority’s evasion of the statutory bar by its mere reframing of the issue for review as a question of the Board’s ‘ultimate authority to invalidate,’ rather than the Board’s authority to institute”). Notwithstanding the divided *Versata* opinion, which addresses only review after the PTAB’s final written decision,<sup>4</sup> the question of whether the court of appeals should intervene on mandamus to prevent the PTAB from

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<sup>4</sup> The issue of whether decisions related to the institution of *inter partes* review may be appealed following the PTAB’s final written decision in light of 35 U.S.C. § 314(d)—the *inter partes* review counterpart of § 324(e)—is currently before this Court in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (U.S.).

proceeding outside of its jurisdiction in a CBM review of a plainly non-CBM patent remains unsettled.

### REASONS FOR GRANTING THE WRIT

I. The Decision Below Allows the PTAB to Conduct an Extraordinary Trial Contrary to the Express Bounds of the Authority Granted by Congress

The '304 patent is clearly and indisputably not a CBM patent, and thus the AIA does not permit the PTAB to proceed with CBM review. AIA § 18(a)(1)(E). The Court can and should address the court of appeals' decision to allow the PTAB's overreach. *See United States v. Boe*, 543 F.2d 151, 158 (C.C.P.A. 1976) ("However sincere and well-intentioned may be the judge, an attempt, by any court, to exercise a non-existent jurisdiction is an exceptional circumstance of import most grave."); *cf. United States ex rel. Chi. Great W. R. Co. v. ICC*, 294 U.S. 50, 61 (1935) ("If . . . power and authority are plainly found in the act, and the Commission erroneously refuses to exercise such power and authority, mandamus is the appropriate remedy to compel that body to proceed . . ."); *In re Chi., R.I. & P. Ry. Co.*, 255 U.S. 273, 275 (1921) ("If the lower court is clearly without jurisdiction, the writ [of prohibition] will ordinarily be granted to one who at the outset objected to the jurisdiction, has preserved his rights by appropriate procedure and has no other remedy.").

A. Congress Expressly Prohibits the  
PTAB from Conducting CBM  
Review of Non-CBM Patents

The plain language of the AIA is clear: “The Director may institute a transitional proceeding *only* for a patent that is a covered business method patent.” AIA § 18(a)(1)(E) (emphasis added). The Federal Circuit addressed this restriction in *Versata*, where it considered whether the PTAB’s determination that a patent was a CBM patent could be appealed following a final written decision. *See Versata*, 793 F.3d at 1319-20. The panel majority held that the determination under § 18(a)(1)(E) could be appealed because it “involves the ultimate authority of the PTAB to invalidate a patent.” *Id.* at 1319. Unless a patent qualifies as a CBM patent, “there is no proper pleading that could be filed to bring it within the PTAB’s § 18 authority.” *Id.* at 1320.

Thus, § 18(a)(1)(E) affirmatively limits the PTAB’s authority to conduct CBM review. Unlike other post-grant provisions, which bar petitioners from taking particular actions, *see, e.g.*, 37 C.F.R. § 42.101 (identifying conditions under which *petitioner* may not seek review), or instruct the Patent Office to follow particular procedures, *see, e.g.*, 35 U.S.C. § 314(a) (requiring an initial determination by the Director), § 18(a)(1)(E) limits the jurisdictional power of the Director and her delegate, the PTAB. The Director may institute review of *only* CBM patents and therefore may *not*

conduct a trial for non-CBM patents. *See Versata*, 793 F.3d at 1320.

The AIA’s legislative history confirms that Congress intended that CBM review be restricted to certain business method patents. *See* 157 Cong. Rec. H4496 (daily ed. June 23, 2011) (statement of Rep. Crowley) (“[Section 18] only allows for the review of abstract patents issued since 1988 when a Federal court ruled that business methods could be patented—a ruling which the U.S. Supreme Court limited significantly last year.”); 157 Cong. Rec. S3768 (daily ed. June 14, 2011) (statement of Sen. Leahy, AIA lead co-sponsor) (“Section 18 of H.R. 1249 provides for *a tailored* pilot program which would allow patent office experts to help the court review the validity of *certain* business method patents . . . .” (emphases added)). Congress deliberately excluded patents outside of the definition codified at § 18(d)(1). *See* 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer, AIA co-sponsor) (“We want to make sure to capture the business method patents which are at the heart of the problem and avoid any collateral circumstances.”); 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin) (“I cast this vote after receiving assurances from my colleagues that the scope and application of section 18 would be appropriately constrained, as it is critically important that this section not be applied in a way that would undermine the legislation’s focus on protecting legitimate innovation and job creation.”).

In voting for the AIA, Senator Kirk stated,

I vote for this legislation with the understanding that Section 18, which establishes a review process for business-method patents, is not too broadly interpreted to cover patents on tangible products that claim novel and non-obvious software tools used to execute business methods. H.R. 1249 seeks to strengthen our patent system in order to incentivize and protect our inventors so that Americans can grow our economy and bolster our global competitiveness. Thus, it would defy the purpose of this bill if its authority were used to threaten the viable patents held by companies that employ hundreds of Americans by commercializing software products they develop and engineer.

157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011)  
(statement of Sen. Kirk).

B. The '304 Patent Is Clearly and  
Indisputably Not a CBM Patent

1. The '304 Patent Does Not  
Claim Data Processing

The '304 patent does not claim “data processing or other operations” as the AIA requires for a patent to be subject to CBM review. AIA § 18(d)(1). For purposes of classifying patent applications, the Patent Office has defined “data processing” as “[a] systematic operation on data in

accordance with a set of rules which results in a significant change in data.”<sup>5</sup> Petition for Writ of Mandamus, Ex. BB at 4, *In re Trading Techs. Int’l, Inc.*, No. 16-120 (Fed. Cir. Mar. 8, 2016). Thus, “data processing” is not merely communicating, displaying, or interpreting data. Rather, there must be “a significant change in data.” In other words, patents on methods of sorting, calculating, or filtering data may qualify as “data processing” patents.

The ’304 patent does not claim data processing or other operations that may be performed by any generic GUI. Instead, the claims recite “[a] method for *displaying* market information . . . and *facilitating* trading . . . on a graphical user interface.” ’304 patent at 12:36-13:3 (emphases added). As set forth above, the claims are to the specific makeup, structure, and features of a GUI tool with which a person can interact to control a machine. Such claims to a GUI tool are analogous to claims to a physical device and are unlike patents directed to unseen practices or algorithms being implemented by a computer “under the hood.” All of the technical benefits of improved speed, accuracy, and usability summarized above and disclosed in the

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<sup>5</sup> The Patent Office defines “data” as “[r]epresentation of information in a coded manner suitable for communication, interpretation or processing.” Petition for Writ of Mandamus, Ex. BB at 4, *In re Trading Techs. Int’l, Inc.*, No. 16-120 (Fed. Cir. Mar. 8, 2016).

specification, *see, e.g., id.* at 3:9-14, 7:37-48, are the result of the claimed makeup, features, and structures of the inventive GUI tool.

Although not a basis for the institution decision, the '304 patent does not claim any "other operation" (e.g., a business method) under § 18. The claims are not directed to a business method at all. While the claimed GUI tool may be used to conduct a business practice (e.g., to implement a trading strategy), the claims are to a GUI tool that changes how the computer operates. Indeed, patent offices in Europe and the United Kingdom ban business method patents. *See* European Patent Convention Article 52(2)(c), (3) (excluding the patentability of "methods for . . . doing business"); UK Patents Act 1977, c. 37, § 1(2)(c) (UK) (same). Yet, these offices have issued counterpart patents reciting claims similar to claim 1 of the '304 patent. *See* Petition for Writ of Mandamus, Exs. BO-BQ, *In re Trading Techs. Int'l, Inc.*, No. 16-120 (Fed. Cir. 2016). Importantly, the '304 patent claims are not merely tacking on a conventional computer to a business practice, as was the case in *Alice Corp. v. CLS Bank Int'l*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014). The '304 patent's claims do not recite a data processing or business method and merely add a step of displaying data on a generic computer screen. Instead, the '304 patent claims the makeup, structure, and features of a particular GUI tool that solves real technical problems.

## 2. The '304 Patent Claims a Technological Invention

The '304 patent is clearly not a CBM patent for the additional reason that it claims a novel technical tool that solves technical problems with the prior art. *See* 37 C.F.R. § 42.301(b) (defining a technological invention according to Patent Office); *GSI Commerce*, CBM2014-00101, Paper 10 at 11-13 (finding patent claimed a “technological invention” where claims recited the “facially . . . technical solution” of “solving the technical problem of connecting to a [service]” by completing a connection in a particular way).

Specifically, the '304 patent claims the makeup, structure, and features of a GUI tool set forth above. *See supra* section II. As explained above, this combination of features solves classic technical problems. For example, it improves upon the speed, accuracy, efficiency, and usability of prior art GUI tools. *See supra* section II.

Both the Federal Circuit and the Northern District of Illinois—in prior decisions to which the PTAB did not “give much, if any, deference” (App. 12a n.3)—agree that the invention solves technical problems of prior art GUI tools. Any reasonable reading of these opinions also shows that these courts do not believe the claims are directed to “data processing” or “other operations.” The Federal Circuit noted the patent claims a “graphical user interface (GUI)” and that “[t]he claimed invention facilitates more accurate and efficient orders”

in electronic trading. *eSpeed*, 595 F.3d at 1345. The Federal Circuit summarized the claimed invention, referring to Figures 3 and 4, as a GUI tool that provided “numerous advantages over the prior art” including improving speed, accuracy, and usability by “prevent[ing] accidental orders at an unintended price” and by allowing users to “visually follow the market movement as the inside market shifts up and down along the price column.” *Id.* at 1347. In a later opinion, the Federal Circuit reiterated that the ’304 patent “concern[s] a graphical user interface” that is more intuitive and efficient than prior GUIs. *Trading Techs. Int’l, Inc. v. Open E Cry, LLC*, 728 F.3d 1309, 1312-14 (Fed. Cir. 2013).

The district court similarly recognized that “[t]he claims of the [’304 patent] do not address a challenge of business,” but rather, “the claims at issue . . . profess to solve problems of prior graphic user interface devices (GUIs), in the context of computerized trading, relating to speed, accuracy, and usability.” *CQG*, 2015 WL 774655, at \*4. Specifically, the court found that “the claims are directed to solving a problem that existed with prior art GUIs . . . . There was a risk . . . that a trader would miss her intended price as a result of prices changing from under her pointer at the time she clicked on the price cell on the GUI,” and that the “technological improvement” disclosed in the ’304 patent “provide[s] a system and method whereby

traders may place orders at a particular, identified price level . . . because the invention keeps the prices static in position, and allows the quantities at each price to change.” *Id.* at \*4.\*5.<sup>6</sup> The district court went on to find that the claimed invention allows users “the ability to more efficiently and accurately place trades on electronic trading systems.” *Id.* at \*5. The district court reaffirmed what the Federal Circuit previously found—the ’304 patent improves prior art GUIs—and what the evidence clearly establishes—“the claims are directed to a technological improvement of GUIs.” *Id.* Notably, the PTAB all but ignored these findings in reaching its jurisdictional decision.

### 3. The Legislative History of the AIA Confirms the ’304 Patent Is Not a CBM Patent

The legislative history of the AIA further confirms that the ’304 patent is not a CBM patent. Congress intended that only a limited number of

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<sup>6</sup> In its recent petition for writ of certiorari, Versata cited the instant CBM proceeding below as an example of where the PTAB erred in deciding whether the patent-at-issue was for a technological invention, and Versata questioned how the PTAB could possibly conclude that the claimed GUI tool in Trading Technologies’ patent was not a “technological invention,” particularly in light of the district court’s findings. *See* Petition for Writ of Certiorari at 22, *Versata*, No. 15-1145.

patents would be subject to CBM review. Thus, Congress established a narrow definition of “covered business method patent[s]” that encompasses only certain types of business method patents and excludes technological inventions. *See* AIA § 18(a)(1)(E), (d)(1).

In its deliberations, Congress specifically addressed GUI patents like the ’304 patent and stated that they were not intended to be included within the CBM review scheme. *See* 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statements of Sen. Durbin and Sen. Schumer, AIA co-sponsor); 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin) (“I also expect the PTO to keep in mind as it crafts these regulations Congress’s understanding that legitimate and job-creating technological patents such as those protecting the novel electronic trading software tools and graphical user interfaces discussed above are not the target of section 18.”).

Congress explained that some companies have used patents categorized by the PTO as class 705 business method patents “to develop novel software tools and graphical user interfaces that have been widely commercialized and used within the electronic trading industry to implement trading and asset allocation strategies.” 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin). Like “machinery to count . . . currency,” however, Congress recognized that although electronic trading GUIs may be used with financial products or services, they are not “covered business method

patents” subject to CBM review. 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statements of Sen. Durbin and Sen. Schumer, AIA co-sponsor); 157 Cong. Rec. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Durbin). The key is that these patents are directed to the technological tool, not the business practice of trading (e.g., buy low, sell high).

II. Allowing the PTAB to Proceed in a  
CBM Review in Contravention of Its  
Statutory Authority under the AIA  
Harms Trading Technologies

Requiring Trading Technologies to undergo CBM review despite the PTAB’s violation of the jurisdictional scope of the AIA permits the CBM petitioner to move validity questions from Trading Technologies’ chosen forum, the Northern District of Illinois, to the PTAB, where the petitioner will face a lower burden. *See* 35 U.S.C. § 326(e). Under the CBM review’s more lenient estoppel provision, *see* AIA § 18(a)(1)(D), the petitioner will be able to raise additional invalidity arguments in district court that were not raised in the CBM review even if they were known to the petitioner. Proceeding with the unauthorized CBM review of the ’304 patent also permits the petitioner to seek a stay of the district court litigation under the favorable standard applicable only to CBM stays, *see* AIA § 18(b). Indeed, in this instance, the petitioner in fact sought and won a stay of the district court proceeding based on the CBM review, thus further delaying resolution of the case. *See Trading Techs. Int’l, Inc. v. BCG Partners, Inc.*, No. 1:10-cv-715, 2016 WL 2622301,

at \*7 (N.D. Ill. May 9, 2016) (staying consolidated cases); *see also* Transcript of Record at 8-9, 11, *Trading Techs. Int'l, Inc. v. BCG Partners, Inc.*, No. 1:10-cv-715 (N.D. Ill. May 11, 2016) (No. 763) (noting “judges are reversed regularly for not granting these stays when there is a period of time, which is short and identifiable, to narrow the issues in those hearings” and granting stay, noting that “the chances of the case going away completely are not realistic”).

The harm is particularly acute in this case where Trading Technologies and the petitioner are direct competitors. *BCG*, 2016 WL 2622301, at \*6 (noting “the fact that the parties are direct competitors”). Moreover, the petitioner in the instant CBM proceeding is statutorily barred from challenging the '304 patent in *inter partes* review. *See* 35 U.S.C. § 315(b) (imposing one-year time bar on *inter partes* review from the time a patent-infringement complaint is served). Congress imposed a time bar because post-grant proceedings were intended to be a cheap and speedy alternative to litigation, and not a second bite of the apple *after* an unsuccessful challenge in district court. Absent the PTAB's incorrect finding here that the '304 patent is a CBM patent, the petitioner would not be permitted to circumvent the one-year time bar on *inter partes* review and interrupt the ongoing district court litigation that is over five-years old. *See* Summons, *TradeStation*, No. 1:10-cv-00884 (N.D. Ill.) (Dkt. Nos. 14, 15) (noting summons executed May 24, 2010); *TradeStation*, CBM2015-00161, Paper 2 at 61 (P.T.A.B. July 20, 2015).

Although Trading Technologies remains confident that it will ultimately prevail in the CBM review, the PTAB's errors also cast doubt within the industry on Trading Technologies' property rights. The PTAB has repeatedly assumed improper authority over other GUI-related patents in Trading Technologies' portfolio. *See, e.g., TD Ameritrade Holding Corp. v. Trading Techs. Int'l, Inc.*, CBM2014-00131, Paper 19 at 24-25 (P.T.A.B. Dec. 2, 2014) (instituting review of U.S. Patent No. 7,533,056, titled "User Interface for an Electronic Trading System"); CBM2014-00133, Paper 19 at 22 (P.T.A.B. Dec. 2, 2014) (instituting review of U.S. Patent No. 7,676,411, directed to "a graphical user interface for displaying the market depth of a commodity"); CBM2014-00135, Paper 19 at 22 (P.T.A.B. Dec. 2, 2014) (instituting review of U.S. Patent No. 6,772,132, directed to "a graphical user interface for displaying the market depth of a commodity"); CBM2014-00137, Paper 19 at 26-27 (P.T.A.B. Dec. 2, 2014) (instituting review of U.S. Patent No. 7,685,055, a continuation-in-part of the '304 patent). The CBM reviews unfairly cloud the perceived validity of these patents—PTAB statistics indicate that less than 3% of instituted claims are found patentable by the PTAB in a final CBM decision. *See* U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 14 (Apr. 30, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-4-30%20PTAB.pdf>. As a practical matter, this causes a chilling effect on settlement. And in situations like this case, where the petitioner-defendant is a competitor, the irreparable harm from the continued infringement remains unaddressed for

potentially years. Notably, Trading Technologies has already prevailed in obtaining injunctions against other competitors found to infringe. *See, e.g., Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, No. 1:04-cv-5312, 2008 WL 4531371, at \*5 (N.D. Ill. May 22, 2008) (granting injunction against competitor found to infringe *inter alia* the '304 patent).

The Federal Circuit decided that Trading Technologies could seek review after a final written decision as an alternative avenue of relief (*see* App. 2a),<sup>7</sup> but that effectively holds that mandamus is not available to correct even blatant violations of statutory limits. *See Mallard v. U.S. Dist. Court for S. Dist. of Iowa*, 490 U.S. 296, 309 (1989) (“To ensure that mandamus remains an extraordinary remedy, petitioners must show that they lack adequate alternative means to obtain the relief they seek . . .”). The traditional use of mandamus is to provide the remedy Trading Technologies seeks, namely, “to confine an inferior court to a lawful exercise of its prescribed jurisdiction.” *Will v. United States*, 389 U.S. 90, 95 (1967) (quoting *Roche v.*

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<sup>7</sup> This finding assumes that the question of whether a patent is a CBM patent is reviewable on appeal after a final written decision, and that the Patent Office and the dissent in *Versata* asserting otherwise are incorrect. *See* Brief for Intervenor at 13, *Versata*, 793 F.3d 1306 (No. 2014-1194), 2014 WL 1878618, at \*13; Brief for Intervenor at 16, *Blue Calypso*, 815 F.3d 1331 (No. 15-1391), 2015 WL 4400825, at \*1; *Versata*, 793 F.3d at 1337 (Hughes, J., dissenting).

*Evaporated Milk Ass'n*, 319 U.S. 21, 26 (1943)); *Mallard*, 490 U.S. at 309; see also *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 35 (1980) (finding mandamus justified in cases of “judicial usurpation of power”).

The alleged remedy of proceeding to final decision and seeking a later review is no remedy at all. Such a course “overlooks the anomaly of a court trying a case without having jurisdiction to do so,” *Boe*, 543 F.2d at 160, and nullifies the clear language of § 18(a)(1)(E), which limits the power of the PTAB to conduct a CBM review. Congress intended the CBM process to be restricted, and Trading Technologies has a right not to undergo an unlawful CBM review of the '304 patent. *Cf. Bell v. Sellevold*, 713 F.2d 1396, 1403 (8th Cir. 1983) (correcting jurisdictional overreach via mandamus because “[a]n appeal from an adverse judgment, even a successful appeal, would not undo the fact that defendants had been unlawfully compelled to try their case in a federal forum”); *In re Princo Corp.*, 478 F.3d 1345, 1357 (Fed. Cir. 2007) (noting that “right to a stay during the damages phase of the district court proceeding cannot be vindicated by direct appeal from the ultimate damages determination since [the statute] is designed to prevent the . . . proceedings from occurring at all”).

III. The Decision Below Raises Important Issues Regarding the PTAB's Recently Acquired Authority under the AIA

The issue of whether the PTAB may proceed with CBM review on a clearly non-CBM patent in contravention of the AIA also creates uncertainties in the patent system generally. CBM review is an important and extraordinary avenue for challenging a patent, but the Patent Office continues to assert that the PTAB has the sole authority to decide what patents are subject to CBM review. Brief for Intervenor at 13, *Versata*, 793 F.3d 1306 (No. 14-1194), 2014 WL 1878618, at \*13; Brief for Intervenor at 16, *Blue Calypso*, 815 F.3d 1331 (No. 15-1391), 2015 WL 4400825, at \*1. Guidance is scarce, and the PTAB has repeatedly erred in determining what constitutes a CBM patent. The decision below leaves these issues unresolved.

A. Permitting the PTAB to Determine the Scope of Its Own Authority Results in Uncertainty in an Important Forum for Patent Challenges

The court of appeal's refusal to curb the PTAB's clear overreach at the outset of the proceeding improperly allows the PTAB to ignore its congressional mandate and determine the scope of its own authority. The PTAB takes the position that its decision that a patent is a CBM patent is never subject to review under 35 U.S.C. § 324(e), a position with which the dissent in *Versata* agreed. *See id.*

("[The Federal Circuit] lacks jurisdiction to review [the Patent Office's] determination that the [patent] constitutes a 'covered business method patent.'"); *Versata*, 793 F.3d at 1337 (Hughes, J., dissenting); *see also* Transcript of Oral Argument at 51:22-52:2, *Cuozzo Speed Techs., LLC v. Lee*, No. 15-446 (U.S. 2016) (arguing that institution and subsidiary decisions related to *inter partes* review should not be appealable under the *inter partes* review analog 35 U.S.C. § 314(d)). But "[a]n agency may not finally decide the limits of its statutory power. That is a judicial function." *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946).

Despite the importance of CBM proceedings, of which over 400 have been filed to date, *see* U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 2 (Apr. 30, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-4-30%20PTAB.pdf>, controlling guidance regarding the scope of the PTAB's statutory authority is lacking. The Federal Circuit has not intervened to prevent CBM review of clearly and indisputably non-CBM patents, like the '304 patent. Only three Federal Circuit decisions even tangentially address the scope of the PTAB's authority to conduct CBM proceedings, and the PTAB has issued no controlling decisions discussing the bounds of its authority on CBM patents. *See Versata*, 793 F.3d at 1325 (agreeing that CBM patents are not "limited to products and services of only the financial industry"); *SightSound*, 809 F.3d at 1316 (finding that the "Board's reasoning is not arbitrary or capricious and substantial evidence

supports its findings here”); *Blue Calypso*, 815 F.3d at 1340-41 (affirming the PTAB).

Patent owners therefore face uncertainty regarding whether any particular panel of the PTAB will class their patents as CBM patents. See *Schlagenhauf v. Holder*, 379 U.S. 104, 111 (1964) (granting certiorari to review denial of mandamus in light of a “new and important problem[.]”); *La Buy v. Howes Leather Co.*, 352 U.S. 249, 251 (1957) (“The importance of the question . . . , together with the uncertainty existing on the issue among the Courts of Appeals, led to our grant of a writ of certiorari.”); *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 501, 511 (1959) (granting certiorari because of importance of issue and reversing denial of mandamus).

B. Absent Guidance, the PTAB Will  
Continue to Err

Lacking guidance, the PTAB has repeatedly acted in contravention of its statutory authority. See *Bauman v. U.S. Dist. Court*, 557 F.2d 650, 655 (9th Cir. 1977) (noting that where error “is an oft-repeated error, or manifests a persistent disregard of the federal rules,” or where “order raises new and important problems, or issues of law of first impression,” mandamus may lie); *accord In re Lott*, 424 F.3d 446, 449 (6th Cir. 2005); *In re Bieter Co.*, 16 F.3d 929, 932 (8th Cir. 1994); *In re Temple*, 851 F.2d 1269, 1271 (11th Cir. 1988); *Journal Publ’g Co. v. Mechem*, 801 F.2d 1233, 1235 (10th Cir. 1986); *Hamilton v. Morial*, 644 F.2d 351, 353 (5th Cir. 1981); *In re Roman Catholic Diocese of Albany, New*

*York, Inc.*, 745 F.3d 30, 37 (2d Cir. 2014). Where the issue has been raised, the PTAB overwhelmingly decided that the patent-at-issue qualifies as a CBM patent. Specifically, in over 85% of the cases where CBM eligibility was challenged, the PTAB decided that the patent is a CBM patent. *See* CBM Standing: Analysis of PTAB Institution Decisions Addressing Standing Under AIA § 18(d)(1), Docket Navigator (2016), <http://home.docketnavigator.com/wp-content/uploads/2016/05/CBM-Qualification-Analysis-March-31-2016-update.pdf> (addressing data through March 31, 2016).

For example, the PTAB has classed patents with the most tenuous tie to financial activity as CBM patents. *See, e.g., Epicor Software Corp. v. Protegrity Corp.*, CBM2015-00006, Paper 16 at 10-11 (P.T.A.B. Apr. 21, 2015) (finding patent to be a CBM patent because the claimed data-protection system might be used in banking); *Life Techs. Corp. v. Unisone Strategic IP, Inc.*, CBM2015-00037, Paper 8 at 8-9 (P.T.A.B. June 29, 2015) (finding patent to be a CBM patent because “ordering inventory based on information provided by a customer is a financial activity”). The instant case involves the even more fundamental questions of whether the ’304 patent “claims a method or corresponding apparatus for performing data processing or other operations” and is not “for [a] technological invention[],” as AIA § 18(d)(1) also requires for a CBM patent. Because the ’304 patent does not claim data processing or a business method at all and is purely for a technological invention (as supported by the prior findings of the district court and the Federal

Circuit), the PTAB's decision finding that that the '304 patent is a CBM patent results in an expansion of PTAB authority that is contrary to the AIA.

### **CONCLUSION**

The PTAB should not be permitted to proceed contrary to its statutory authority under the AIA, as it is doing here in proceeding with a CBM review of the '304 patent, a clearly and indisputably non-CBM patent. The Federal Circuit erred in allowing the PTAB to do so. Accordingly, this Court should grant this Petition to correct the PTAB's misapplication of AIA § 18(a)(1)(E) and (d)(1), and resolve the outstanding uncertainty in this area of the law.

June 16, 2016

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