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I. INTRODUCTION

Rackspace's Reply [Dkt. No. 25] addresses the same issues Rackspace raised in its original Motion. Accordingly, Uniloc will not rehash the same arguments it presented in Response, but will briefly address certain points to ensure the Court has a full understanding of the various arguments made by Rackspace.

II. CLEAR AND CONVINCING EVIDENCE IS REQUIRED TO INVALIDATE A PATENT

As an initial matter, Uniloc disagrees with Rackspace's assertion that the preponderance-of-the-evidence standard governs Rackspace's motion. See Reply, p. 3, n.2. The Supreme Court has considered "whether § 282 requires an invalidity defense to be proved by clear and convincing evidence. We hold that it does." *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011). In *i4i*, the Supreme Court noted that "[u]nder the Federal Circuit's reading of § 282, a defendant seeking to overcome this presumption must persuade the factfinder of its invalidity defense by clear and convincing evidence." *Id.* at 2243. Furthermore, for close to thirty years the Federal Circuit has held "[Section] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence." *Id.* (citing *Am. Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1360 (Fed. Cir. 1984)) (emphasis added). The Federal Circuit has affirmed this view as recently as this past July when it said "[t]he presumption of validity attaches to all issued patents and the clear and convincing evidence burden applies to all issued patents...The presumption of validity found in § 282 is reflected in the standard of proof required to prove invalidity, clear and convincing evidence." *Sciele Pharma, Inc. v. Lupin Ltd.*, 684 F.3d 1253, 1260 (Fed. Cir. 2012) (citing *i4i*, 131 S. Ct. 2245-46).

Furthermore, district courts considering the issue of whether or not a patent claims ineligible subject matter in the context of Rule 12(b)(6) have applied the clear and convincing evidence standard. See *Progressive Cas. Ins. Co. v. Safeco Ins. Co.*, No. 1:10 CV 1370, 2010 U.S. Dist. LEXIS 120225 (N.D. Ohio Nov. 12, 2010). In *Progressive*, the defendants argued that “the presumption of validity does not apply to this case, as the presumption of validity applies only to issues of fact.” *Id.* at *11. The Court rejected that argument stating “[t]he patent is presumed to be valid by statute, which means that a party who challenges the validity of a patent must *always* prove that the patent is invalid by clear and convincing evidence.” *Id.* (emphasis in original) (citing *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359-60 (Fed. Cir. 2007)).

III. THE HOLDING IN *BENSON* RELATES TO MATHEMATICAL FORMULAS AND ALGORITHMS

Try as it might, Rackspace cannot escape the fact that *Benson’s* holding is limited to mathematical formulas and algorithms (as the term “algorithm” was defined by the Supreme Court). As the Court stated:

What we come down to in a nutshell is the following. It is conceded that one may not patent an idea. But in practical effect that would be the result if the formula for converting BCD numerals to pure binary numerals were patented in this case. The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that if the judgment below is affirmed, the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.

Gottschalk v. Benson, 409 U.S. 63, 71-72 (1981) (emphasis added). This holding was restated by the Supreme Court in its *Diehr* decision:

[A] new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that $E=mc^2$; nor could Newton have patented the law of gravity. Such discoveries are “manifestations of nature, free to all men and reserved exclusively to none.” Our recent holdings in *Gottschalk v. Benson*, *supra*, and *Parker v. Flook*, *supra*, both of which are computer-related, stand for no more than these long-established principles. In *Benson*, we held unpatentable claims for an algorithm used to convert binary code decimal numbers to

equivalent pure binary numbers. The sole practical application of the algorithm was in connection with the programming of a general purpose digital computer. We defined “algorithm” as a “procedure for solving a given type of mathematical problem,” and we concluded that such an algorithm, or mathematical formula, is like a law of nature, which cannot be the subject of a patent.

Diamond v. Diehr, 450 U.S. 175, 185 (1981) (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)) (emphasis added).

Significantly, in *Diehr*, the Supreme Court defined the term “algorithm” as “a procedure for solving a given type of mathematical problem.” *Diehr* at 186. In adopting this definition, the Supreme Court rejected a definition of “algorithm” as “[a] fixed step-by-step procedure for accomplishing a given result; usually a simplified procedure for solving a complex problem, also a full statement of a finite number of steps”:

This definition is significantly broader than the definition this Court employed in *Benson* and *Flook*. Our previous decisions regarding the patentability of “algorithms” are necessarily limited to the more narrow definition employed by the Court, and we do not pass judgment on whether processes falling outside the definition previously used by this Court, but within the definition offered by the petitioner, would be patentable subject matter.

Id. at 186, n.9. It is this later, rejected, definition that Rackspace seems to advocate in attempting to enlarge the actual holding of *Benson*.

IV. CLAIM 1 DOES NOT RECITE A MATHEMATICAL FORMULA

As pointed out in Uniloc’s Response, Rackspace cannot identify the mathematical formula in Claim 1 of the ‘697 Patent because there is none. Rackspace’s chart on pp. 4-5 of its Reply illustrates this well and shows that Claim 1 stands in contrast to the claims that were rejected in *Benson*. In this chart, the very specific mathematical steps recited in the claims at issue in *Benson* are listed - Claims 8 and 13 of *Benson* required specific shifting and adding steps. On the other hand, the steps recited in Claim 1 of the ‘697 Patent contemplate rounding a number *before* a mathematical operation (of any type) is performed on it. Thus, Claim 1 is not

directed to a specific series of mathematical operations and is distinguishable from the claims at issue in *Benson*.

In addition, the public policy concerns stated by the Supreme Court in the quotes above are not implicated by Claim 1 of the '697 Patent. As discussed in Uniloc's Response, Claim 1 of the '697 Patent is an *improvement* on a widely accepted industry standard. As stated in the Intel article cited in Uniloc's Response [Exh. A (Dkt. No. 23-1)], hundreds of millions of processors have been manufactured based on the IEEE standard - a standard upon which Claim 1 improves. *See Innova Patent Licensing, LLC v. Alcatel-Lucent Holdings*, No. 2:10-CV-251, 2012 U.S. Dist. LEXIS 100453, at *13 (E.D. Tex. July 19, 2012) ("Inventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language and framework of the Patent Act."). Given the fact that all of these processors embody a way to process floating-point numbers in a non-infringing manner, there is no threat of Uniloc having exclusive rights to some "manifestation of nature" and impermissibly foreclosing the processing of floating point numbers. Rather, Claim 1 describes a specific, limited improvement, which does not implicate the policy concerns expressed by the Supreme Court.

V. BREADTH VS. ABSTRACTNESS

Rackspace complains in its Reply that Claim 1 is not limited to a specific application. First, setting aside that Claim 1 is limited to processing floating-point numbers that have a specific format, the breadth of a claim is a separate issue from whether the claim is impermissibly abstract. Section 101 is "only a threshold test." *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010). Other sections of the Patent Act provide better means for addressing claims that may be overly broad. For example, there are sections that require the patentee to provide a full

written description of a patented invention and requirements that the specification enable artisans in the field to make and use the claimed invention. 35 U.S.C. § 112. In addition, a patent claim must be a novel and non-obvious improvement over the technology that came before it. 35 U.S.C. §§ 102 and 103; *see also Bilski*, 130 S. Ct. at 3225 (“Even if an invention qualifies as a process, machine, manufacture, or composition of matter, in order to receive the Patent Act’s protection the claimed invention must also satisfy ‘the conditions and requirements of this title.’” § 101. Those requirements include that the invention be novel, see § 102, nonobvious, see § 103, and fully and particularly described, see § 112.”). Thus, Rackspace has several other avenues to challenge the breadth of Claim 1 other than arguing “abstractness” under 35 U.S.C. § 101.

VI. PROCESSES CAPABLE OF BEING CARRIED OUT INSIDE A PERSON’S HEAD ARE PATENTABLE

District courts have concluded that methods capable of being completed inside a person’s head are not an absolute bar to patentability. *See Island Intellectual Prop. LLC v. Deutsche Bank AG*, No. 09 Civ. 2675, 2012 U.S. Dist. LEXIS 16413, at *25-26 (S.D.N.Y. Feb. 6, 2012). In fact, any computer program is theoretically capable of being carried out by a person, as computer programs are nothing more than a series of simple logic operations. Given the *de facto* patentability of computer programs, however, the fact that a claimed series of steps can be carried out by a person is not fatal to the claim, as stated by Rackspace. Instead, Claim 1 should be reviewed using the analysis set forth in *Bilski*, 130 S. Ct. 3218, which seeks to determine whether otherwise patentable subject matter falls within one of the exceptions to patentability set forth by the Supreme Court.

VII. CONCLUSION

Rackspace has failed to show by clear and convincing evidence that Claim 1 of the '697 Patent falls into any of the narrow exceptions to patentability. Accordingly, its Motion to Dismiss should be denied.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 4th day of October, 2012, I electronically filed the foregoing document with the clerk of the court for the U.S. District Court, Eastern District of Texas, Tyler Division, using the electronic case filing system of the court. The electronic case filing system sent a “Notice of Electronic Filing” to the attorneys of record who have consented in writing to accept this Notice as service of this document by electronic means.

/s/ Barry J. Bumgardner