IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

CLS BANK INTERNATIONAL, Plaintiff, v. ALICE CORPORATION PTY. LTD., Defendant.	)	Case No. 07-CV-00974-RMC
ALICE CORPORATION PTY. LTD., Counterclaim-Plaintiff, v. CLS BANK INTERNATIONAL, Counterclaim-Defendant, and CLS SERVICES LTD., Counterclaim-Defendant.	)	

ALICE CORP. PTY. LTD.'S RESPONSE TO SHOW CAUSE ORDER OF JUNE 12, 2009

Alice Corp. Pty. Ltd. ("Alice") respectfully submits this response to the Court's Order to Show Cause of June 12, 2009 (Dkt. No. 71), in which the Court directed the parties to show cause why the Court should not stay this case pending the Supreme Court's decision in *Bilski* and vacate the oral argument scheduled for June 19, 2009. Alice's position, which it understands CLS Bank Int'l and CLS Services, Ltd. (collectively, "CLS") to share, is that the oral argument scheduled for June 19, 2009 should proceed as to the parties' motions for summary judgment regarding extraterritoriality. As to the motions regarding the subject matter eligibility of Alice's

patents, Alice agrees with the Court's inclination that consideration of patent eligibility should be deferred until the Supreme Court decides *Bilski*. Because of the current posture of this case, however, Alice respectfully asks this Court not to stay the action pending *Bilski*, but rather to defer consideration of the parties' *Bilski* motions until after the Supreme Court rules on the *Bilski* case.

The cross motions regarding extraterritoriality are ripe for decision now and are completely unrelated to *Bilski*. As the Court will recall, the extraterritoriality issues presented in these motions were the intended focus of this preliminary phase of the litigation. *E.g.*, Tr. of Initial Scheduling Conf. (Feb. 21, 2008). This case has now been pending for nearly two years, and both parties seek a resolution of the issue that has been the primary subject of the litigation to date.

In contrast, as the Court recognized in its Show Cause Order, both parties' cross motions as to patent eligibility rely heavily on the Federal Circuit's opinion in *Bilski*. CLS's entire subject matter ineligibility defense rests on *Bilski*. Alice contends that its patents are valid under *Bilski* just as they were under pre-*Bilski* precedents, and that *Bilski* does not affect Alice's system patent at all. But because the correctness of the *Bilski* test is squarely at issue before the Supreme Court, Alice does not believe that argument on these cross motions would be an efficient use of judicial resources at this time. If the Court were to take up the issue now, it would undoubtedly be raised again—one way or another—after the Supreme Court's decision is handed down.

Alice respectfully requests, however, that the Court decline to stay the case pending *Bilski*, for three independent reasons.

First, as mentioned, the purpose of this phase of the litigation—which CLS brought—was to decide the question of extraterritoriality. Patent eligibility aside, if Alice prevails on

extraterritoriality, Alice will require discovery as to other infringement issues, and CLS will no doubt seek to assert additional invalidity defenses that will also require discovery. If the case is stayed pending *Bilski*, none of this additional discovery will begin until mid-2010 at the earliest—three years from when this case was filed. Alice has asserted three patents that are entitled to a presumption of validity, and it should be allowed to proceed with its infringement litigation against CLS, rather than wait another year or more to see whether a change in the law might affect its claims. Accordingly, Alice believes it would be most efficient to simply defer consideration of the patent-eligibility issue until a later phase of the litigation and consider it with other invalidity issues.

Second, the subject of *Bilski* and the posture of the *certiorari* grant make it unlikely that the Supreme Court's decision will decide this case in any event. *Bilski* concerns only claims to "processes," not "machines." *Bilski*, 545 F.3d at 951; *see* 35 U.S.C. § 101. As such, Alice's position is that its computer system claims are clearly patent-eligible, and will remain so no matter how the Supreme Court rules. The Federal Circuit's opinion in *Bilski* simply had no effect on the prior precedents upholding such "machine" claims, and the patent-eligibility of such claims is not before the Supreme Court. If the Supreme Court affirms, these claims, at a minimum, will remain patent-eligible.* If the Supreme Court reverses, the patent-eligibility of all of Alice's claims will be clear-cut: if the pure business method at issue in *Bilski* is patent-eligible, Alice's methods implementing a business method on a computer necessarily are also patent-eligible.

* As explained in its briefing on the merits, Alice contends that *all* of its claims are patent-eligible under the test set forth by the Federal Circuit in *Bilski.* But even if the Supreme Court affirms on other grounds and enunciates a new test for the patent-eligibility of "process" claims, this test is unlikely to apply to the "machine" claims of Alice's '720 patent.

Finally, the issue of patent eligibility depends in part on claim construction. Alice contends that its '479 and '510 method patents, properly construed, require the use of a computer, and CLS contends that they do not. Thus, regardless of the outcome of *Bilski*, a final resolution of patent eligibility (at least with respect to the '479 patent) may require the Court to rule first on claim construction. If discovery goes forward now, it is likely that the Supreme Court will decide *Bilski* in time for claim construction to proceed in the normal course and then for any remaining *Bilski* issues in this case to be ripe. Questions of patent eligibility will then be presented only once.

Accordingly, Alice respectfully requests that the Court defer consideration of patent eligibility until the Supreme Court decides *Bilski*, but that the Court not stay the case in the meantime.

Dated: June 17, 2009

Respectfully submitted,

/s/ David M. Krinsky

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CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of June, 2009, a copy of ALICE CORPORATION PTY. LTD.'S RESPONSE TO SHOW CAUSE ORDER OF JUNE 12, 2009 , was served upon the following by ECF:

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