

January 16, 2017

The Honorable Michelle K. Lee  
Under Secretary for Intellectual Property  
Director, U.S. Patent and Trademark Office  
Madison West Building  
600 Dulany Street  
Alexandria, VA 22313

Dear Under Secretary Lee:

This letter is submitted to the United States Patent and Trademark Office (“USPTO”) on behalf of Marqeta, Inc. (“Marqeta”), in response to the USPTO’s request for comments related to patent subject matter eligibility.<sup>1</sup>

Founded in 2010, Marqeta is a program manager and issuer processor of payment card products (credit, debit and prepaid cards). Since our inception, Marqeta has re-engineered how payment cards, virtual cards, and mobile authorization products are developed and deployed. Our Marqeta Platform, built from the ground up with no legacy infrastructure, provides the world’s first fully documented, Open Application Program Interface issuer processor platform. This means that Marqeta both conceives innovative payment products that leverage our technology and works as an intermediary with all of the players in the payment system. Our Platform plays a key role in facilitating and settling transactions with banks that move money from cardholders to merchants through payment card networks.

In our role as an intermediary between issuing banks, payment networks, and merchants, Marqeta has introduced several innovations into the ever-changing payments marketplace that are changing the way transactions are conducted. While we certainly consider our company and its innovations unique, we know that there are many other companies just like ours that are seeking to protect their innovations without fear they will be commandeered by others.

We appreciate the opportunity USPTO is providing for stakeholders to provide public input on how current patent jurisprudence is affecting individual businesses, as well as investment in research and development and innovation generally. I was pleased to participate in the USPTO’s roundtable event at Stanford University on December and our company looks forward to continuing to contribute in a constructive manner as USPTO, Congress, and the courts clarify the legal contours of patent protection over the coming months and years. To that end, we offer the following primary observations for your consideration:

- Our patent system has always aimed to empower inventors with great ideas and the ingenuity to bring those ideas to market. Entrepreneurs should be able to take risks in developing new technologies, with the promise that they will have the opportunity to

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<sup>1</sup> Notice of Roundtables and Request for Comments Related to Patent Subject Matter Eligibility, U.S. Patent and Trademark Office, 81 Fed. Reg. 71485 (Oct. 17, 2016).



see the fruits of their labor and wisdom via patent protection. This system should allow entrepreneurs to compete on a fair playing field by preventing a large competitor from appropriating an invention and using its market advantages to drive the inventor out of a particular market.

- Recent court decisions – including the 2014 *Alice* Supreme Court decision – have had the unfortunate effect of tilting the playing field toward large, incumbent entities and restricting the ability of new innovators in technologies reliant on software to receive patent protection. Although Marqeta shares the valid public concerns regarding patent trolling and other patent litigation abuses, we believe the pendulum has swung too far; products or services that startup companies like Marqeta invent – and that investors nurture – are worthy of patent protection.
- We encourage our courts and the USPTO to aspire to strike a better balance, one that rewards inventors for devoting substantial human and financial capital in their efforts to bring truly new and innovative products to the market.

### **The Effect of *Alice* and Its Progeny**

Recently, Marqeta, and other companies like ours, have become increasingly concerned that the hard work and significant devotion of resources we've put into inventing new services for our customers could be undermined by recent court decisions, as well as the USPTO's strict interpretation of those decisions. Collectively, these actions have made it harder for companies using software technologies to obtain patents for their inventions. This new reality is especially frustrating for software companies whose business model includes the legitimate intention of marketing its inventions, as opposed to companies whose business model consists merely of acquiring patents for litigation purposes.

We are particularly concerned that the 2014 Supreme Court *Alice* decision,<sup>2</sup> which determined that a new computer-based technology was not eligible for patent protection, has had the unintended effect of freezing approval of new patent claims for software and computer innovations like the ones our company has made. In turn, the USPTO appears to have drastically reduced the number of patents it awards to computer/software-related inventions and the U.S. Court of Appeals for the Federal Circuit has taken an increasingly restrictive approach with respect to software patent protection.<sup>3</sup> We understand that, collectively, these developments have resulted in a low percentage of patents being approved for computer-related innovations in recent years, in comparison to patents in other technical areas.

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<sup>2</sup> *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

<sup>3</sup> Examples of Federal Circuit decisions holding patents relating to software technology invalid under Section 101 following *Mayo* and *Alice* include: *Versata Dev. Grp. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015)(determining a price using organizational and product group hierarchies); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed. Cir. 2015)(price optimization); *Content Extraction & Transmission, LLC v. Wells Fargo Bank, Nat. Ass'n.*, 776 F.3d 1343 (Fed. Cir. 2014)(data extraction and storage); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (displaying advertisements for free content); and *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (creating a contractual relationship).



Of course, we recognize the very valid concerns that many companies have regarding the proliferation of patent trolling. Like others in our industry, we are dismayed when we learn about specific instances of patent trolling, the sole purpose of which is to acquire low quality patents and then sue true inventors for infringement. The USPTO, courts, and, indeed, Congress, are right to scrutinize the growth of patent trolling. However, we are similarly concerned that the courts, as well as USPTO examiners, have recently swung too far in the direction of patent ineligibility, resulting in barriers for innovative companies like ours to receiving patent protection for inventions. These barriers appear to be based on meeting the limited quotas for patent approval rather than the merits of each individual application. Ensuring the ability of innovators to continue to invent and reducing patent trolling should not be mutually exclusive; our patent system should resume providing incentives to those who are innovating, especially small businesses and startups who are using limited human and financial resources to engage in R&D and, ultimately, create new inventions.

Moreover, a properly functioning patent system should allow for quality software patents that protect those entities that are investing capital to enable entrepreneurs to pursue their inventions. In the software space, in particular, a company's collection of patents for its inventions is a meaningful element of its market valuation and, therefore, the amount of public or private funding it is able to receive to continue to innovate. If an emerging company's inventions do not receive patent protection, there is virtually nothing that company can do to prevent a larger, more significantly capitalized company from reverse engineering these innovations and marketing them as their own.

### **Enforcing Bad Patents is the Heart of the Problem**

We offer for your consideration that there are many other ways to address the very real issue of patent trolling that will have much less of an impact on true innovators. These include reforms on venue selection, discovery procedure and costs, staying cases to allow the USPTO to complete invalidity challenges, enhancing pleading standards, limiting damages, and, most importantly, increasing the ability for unfairly accused defendants to be compensated for their attorneys' fees and costs. Several, but not all, of these measures were implemented under the America Invents Act.<sup>4</sup>

However, broad stroke limitations on subject matter eligibility for the awarding of patents affects true innovators much more so than common sense changes to the way patents are enforced in court. The enforcement of bad patents is the heart of the problem; the wholesale crippling of a software company's ability to obtain a patent does not address this problem.

True innovators like Marqeta build companies and sell services. Litigation, especially frivolous litigation, is a distraction from both of these goals, in terms of monetary costs and the costs of employee time needed to support the litigation. True innovators seeking to grow their companies use patents in self-defense against infringers sparingly, only when justified by business needs to protect their market space and investment. In short, innovators will sue for patent infringement only when they need to, and with a real business and legal rationale for doing so; they are much less likely to bring frivolous cases, especially because they have to answer to investors who want to know their capital is being spent wisely to grow the company. In contrast, a patent troll does

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<sup>4</sup> America Invents Act, Pub. L. 112-29 (2011).

not face any of these concerns, because it typically has little or no capital, no employees, resides in a P.O. Box, and exists for one purpose only – to litigate. As such, our view is that the problem of patent trolling is a consequence of aggressive litigation strategies that are unchecked due to the lack of legal or business constraints.

### **Alternative Solutions**

The USPTO notice requested comment on several specific questions, including the following:

17. To what extent should an invention that involves computer software be eligible for a patent? Please provide specific examples.

As I articulated during the panel discussion at the USPTO roundtable on December 5, we believe that computer software inventions providing “technical solutions to technical problems” should be eligible for patents. In the case of Marqeta, the value proposition of our inventions is providing fast and accurate payment processing for the full ecosystem of financial services companies, ranging from large banks to startups. The unique speed and accuracy of our technology is a product of algorithms that mathematicians, engineers, and physicists have created. We believe these scientific algorithms are the very essence of the inventions that the USPTO is bound to protect via patents.

The notice also included this question:

18. What mechanisms, other than the judicial exceptions can be used to prevent issuance of overly broad software or computer-related patents that cover wide swaths of economic activity? Do you think the other provisions of title 35 (enablement, written description, definiteness, novelty, non-obviousness) could be used more effectively to achieve this goal? If not, please explain why?

With respect to this question, we observe that much of the eligibility analysis from the courts and the USPTO has focused on the use of “conventional” or general computer technologies to implement already-known concepts. We do not believe patent eligibility is the proper question under which such evidence should be considered. Instead, such evidence is better considered under the novelty and non-obviousness standards during examination. The fact is that, if an application is truly seeking to patent implementation of a known concept using conventional computer technology, then the invention should be considered obvious anyways. Using traditional prior art grounds should be sufficient to discard patents covering broad swaths of known ideas implementing conventional technology. This approach is better because it forces examiners to identify and produce factual evidence to establish such a rejection, which is fundamentally fairer than allowing the examiners to make ineligibility rejections based on less evidence. Unfortunately, it is our impression that the current jurisprudence and the application of such jurisprudence to patent examination do not support this preferred approach.

### **Conclusion**

Of course, as a small company focused on its growth, Marqeta does not have all of the answers to strike a better balance between patent protection and infringement. Even as we pursue our

own individual goals, Marqeta looks forward to being part of the solution for the greater business community.

Our patent system is meant to encourage inventors by granting them limited, but exclusive rights to their inventions, in exchange for disclosing the invention and terminating the patent protection after a period of time. This exchange benefits society as a whole, as well as future inventors. It is our hope that courts, Congress, and USPTO will redouble their respective efforts to keep this guiding rationale for the patent system in mind as our system is reformed. Indeed, as Congress noted when it passed the America Invents Act several years ago, “If the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents.”

Thank you for the opportunity to contribute to this important public dialogue. Marqeta looks forward to continuing to offer its perspective on this topic of great concern to our company and to our country.

Sincerely,



Jason Gardner  
Chief Executive Officer  
Marqeta, Inc.