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NO. 08-964

IN THE

Supreme Court of the United States

BERNARD L. BILSKI AND RAND A. WARSAW,
Petitioners,

v.

JOHN J. DOLL, ACTING UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND ACTING DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,
Respondent.

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

BRIEF FOR THE STATE OF OREGON AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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QUESTIONS PRESENTED

1. Whether the Federal Circuit erred by holding that a "process" must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing ... despite this Court's precedent declining to limit the broad statutory grant of patent eligibility for "any" new and useful process beyond excluding patents for "laws of nature, physical phenomena, and abstract ideas."

2. Whether the Federal Circuit's "machine-or-transformation" test for patent eligibility, which effectively forecloses meaningful patent protection to many business methods, contradicts the clear Congressional intent that patents protect "method[s] of doing or conducting business." 35 U.S.C. §273.

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INTEREST OF THE *AMICUS CURIAE*

Gary Odom is an inventor and patent holder. Both parties are patent practitioners whose clients include inventors, businesses and law firms, either active in obtaining and enforcing patents, or defending against patent assertion.

Patents rightly reward innovation, but it is important that the guidelines be clear, so as to avoid needlessly prolonged litigation in determining patent boundaries. It is further in the interest of all those involved with patents that the process of patent adjudication be streamlined. This is best accomplished by adhering to the laws as Congress wrote and intended them, and as interpreted by the Supreme Court.

SUMMARY OF ARGUMENT

The questions presented in this case, although rightly answered in the affirmative, are not directly applicable to determining the validity of the instant claims by *Bilski et al* before the Court. *Bilski*'s claims are not patentable first and foremost because they lack definiteness, and so are not valid under 35 U.S.C. §112 ¶ 2. Finding this dispositive on narrow grounds, the Court need not reach to the broader issue of §101.

But dicta by the Court on §112 ¶ 2 and §101 are crucial, because the current guidelines from the Federal Circuit for both §112 ¶ 2 and §101 stray from statute and well-grounded Supreme Court precedents.

The law broadly affords patentable subject matter under 35 U.S.C. §101: "...any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof..."[1] The Court affirmed this with regard to process patentability in *Diamond v. Diehr*[2]. The Federal Circuit instead has inflexibly interpreted as mandate what the Court had indicated as but "clues."

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[1] 35 U.S.C. §101 (emphasis added).

[2] *Diamond v. Diehr*, 450 U.S. 175 (1981).

The law specifically states that the *quid pro quo* of a patent grant requires "claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention."[3] The Federal Circuit instead has eviscerated this requirement, finding that a "claim will be found indefinite only if it 'is insolubly ambiguous, and no narrowing construction can properly be adopted . . . .'"[4]

This brief suggests nothing more than the Court affirm its long-standing precedents on §112 ¶ 2 and §101, and so put the patent grant back on the firm ground of requiring clarity while promoting "the progress of Science and useful Arts."[5]

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[3] 35 U.S.C. §112 ¶ 2.

[4] *Exxon Research & Eng'g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001).

[5] U.S. Constitution, Article 1, § 8.

ARGUMENT

1. APPLYING STATUTE IN CONSTRUING CLAIMS & THEIR VALIDITY

There is a logical sequence for construction of claims. The first step is understanding what a claim means. This is essential to establishing the boundaries of the claim. As such, the first hurdle in claim construction is §112 ¶2, determining the clarity of the claimed boundaries.

Upon passing that first test, the second hurdle is whether a claim is supported by its attendant specification, under §112 ¶ 1. So, §112 serves as the first gatekeeper, that claims are clear and enabled.

The hurdle then becomes whether the claim is patentable subject matter under §101. While §112, the first gatekeeper, is stern, §101 is an obliging gatekeeper, proscribing only "laws of nature, natural phenomena, and abstract ideas."[6]

Finally, the worthiness of a claim is tested for its novelty in light of §102 and §103. This third gatekeeper requires "more than the predictable use of prior art elements according to their established functions."[7]

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[6] *Diamond v. Diehr,* 450 U.S. 175, 185 (1981).

[7] *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007).

As such, the sequence of claim analysis arcs from matters of law to a matter of fact, all from the perspective of "any person skilled in the art to which it pertains."[8]

2. 35 U.S.C. §112 ¶2 IS A STRICT REQUIREMENT

A. The Law

The Court has repeatedly stated the need for clarity in patent claims -

> The patent laws "promote the Progress of Science and useful Arts" by rewarding innovation with a temporary monopoly. U.S. Const., Art. I, §8, cl. 8. The monopoly is a property right; and like any property right, its boundaries should be clear. This clarity is essential to promote progress, because it enables efficient investment in innovation. A patent holder should know what he owns, and the public should know what he does not. For this reason, the patent laws require inventors to describe their work in "full, clear, concise, and exact terms," 35 U.S.C. §112 as part of the delicate balance the law attempts to maintain between inventors, who rely on the promise of the law to bring the invention forth, and the public, which should be encouraged to pursue innovations, creations, and new ideas beyond the inventor's exclusive rights. *Bonito Boats,*

[8] 35 U.S.C. § 112 ¶1.

Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 150 (1989).[9]

> "It has long been understood that a patent must describe the exact scope of an invention and its manufacture to "secure to [the patentee] all to which he is entitled, [and] to apprise the public of what is still open to them." *McClain v. Ortmayer*, 141 U.S. 419, 424 (1891)."[10]

The Federal Circuit, while paying lip service to clarity, has taken a diametric position -

> The second paragraph of 35 U.S.C. §112 requires that the specification of every patent must "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." This requirement serves a public notice function, ensuring that the patent specification adequately notifies the public of the scope of the patentee's right to exclude. *See Honeywell Int'l, Inc. v. Int'l Trade Comm'n*, 341 F.3d 1332, 1338 (Fed. Cir. 2003). "A claim satisfies the definiteness requirement of § 112 "[i]f one skilled in the art would understand the bounds of the claim when read in light of the specification." *Exxon Research & Eng'g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001). A claim will be found indefinite only if it

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[9] *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 730 (2002) (emphasis added).

[10] *Markman v. Westview Instruments*, 517 U.S. 370, 373, 38 USPQ2d 1461 (1996) (emphasis added).

> "is insolubly ambiguous, and no narrowing construction can properly be adopted . . . ." *Id.* On the other hand, "[i]f the meaning of the claim is discernible, even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, we have held the claim sufficiently clear to avoid invalidity on indefiniteness grounds." *Id.*"[11]

One cannot square the circle between requiring "full, clear, concise, and exact terms" and indefiniteness only if a claim is "insolubly ambiguous." CAFC laxity in its application of §112 ¶2 eviscerates definiteness, thereby creating uncertainty.

Ambiguity in patent claims is pernicious to notifying the public of the metes and bounds claimed by a patent, so as to know what does and does not infringe.

A claims drafter has every opportunity to state definite boundaries for a patent claim, even having the liberty to act as one's own lexicographer, and define terms within a claim so as to resolve any ambiguities that may otherwise arise. As such, there is no excuse for lack of clarity in claims.

The Court should affirm its precedent, and discard the Federal Circuit position.

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[11] *Praxair v. Advanced Technology Materials*, 543 F.3d 1306. 1319 (Fed. Cir. 2008) (emphasis added).

B. *Bilski*

"Risk position" is undefined in the specification, and even as a term of the art is imprecise. This lack of clear definition necessitated that the patent applicant act as his own lexicographer, which did not happen.

Claim 1 states that "a series of" purchase transactions "at a fixed rate" correspond with a risk position. What would having a risk position mean? Unclear. What would having a "counter-risk position" mean? Unclear. How are those with a counter-risk position identified? Unclear. How would a second series of purchase transactions "at a second fixed rate" affect the risk position? Unclear. This lack of definiteness for all steps stems from the lack of definition of the claimed risk and counter-risk positions. Simply put, "risk position" is not defined.

Compounding the indefiniteness comes with assigning a threshold to "balances the risk position." How would one of skill in the art know whether the claimed risk position achieved balance? All the specification states is that "The opposite risk positions make a risk management trade possible... This is a swap." Neither the claim nor specification define a metric for having attained the claimed balance.

Further, claim 1, step (b) claims identifying those with "a counter-risk position." How does this contribute to the supposed outcome in (c), where the risk position "balances"? Unclear. One could only reconcile step (b) with step (c) by supposition.

Finally, it is a nebulous proposition that balancing risk position, the claimed outcome, meets the stated preamble of "managing consumption risk costs." The preamble presupposes the managing is for a single party, but the balancing involves multiple parties, with no clear beneficiary. The premise versus the achievement of the claimed process, the very purpose of the process, is itself indefinite.

The *Bilski* claims raise more questions than answers with regard to the import and boundaries of: 1) the claim terms, 2) the steps in the process, 3) the outcome(s), and 4) the process as a whole. Would one of skill in the art understand the *Bilski* claims as "full, clear, concise, and exact terms"? Definitely not.

3. 35 U.S.C. §101 REQUIRES THAT A PROCESS BE "USEFUL"

A. The Law

In *Diamond v. Diehr*, the Court provided clues to patentable subject matter while reiterating "that Congress intended statutory subject matter to 'include anything under the sun that is made by man.'"[12]

> "In cases of statutory construction, we begin with the language of the statute. Unless otherwise defined, "words will be interpreted as taking their ordinary, contemporary, common meaning," *Perrin v. United States*, 444 U.S. 37,

[12] *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

> 42 (1979), and, in dealing with the patent laws, we have more than once cautioned that "courts `should not read into the patent laws limitations and conditions which the legislature has not expressed.'" *Diamond v. Chakrabarty*, supra, at 308, quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933).
>
> "[W]e may not be unmindful of the Committee Reports accompanying the 1952 Act which inform us that Congress intended statutory subject matter to "include anything under the sun that is made by man." *S. Rep. No. 1979*, 82d Cong., 2d Sess., 5 (1952); H. R. Rep. No. 1923, 82d Cong., 2d Sess., 6 (1952)."[13]

The crucial issue of all §101 cases before the Court has never been one of the technologies involved. It is tautological that a patent defines a new technology.

From 1793, the paramount criterion for patentability has been that a claimed invention be "useful." "Excluded from such patent protection are laws of nature, natural phenomena, and abstract ideas."[14] Beyond the other three categories of statutory subject matter, which are inherently tangible, processes may be claimed that attempt to drape utility over an abstraction. One danger of such process claims is that their scope is so broad as to be indefinite. Here is where §112 ¶2 and §101 intersect - that an indefinite process *ipso facto* renders a

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[13] *Id* at 182 (emphasis added).

[14] *Id* at 185.

claim's usefulness unclear, and hence not patentable subject matter.

To address this, the Federal Circuit took an inflexible view by misinterpreting the following passage from the Court:

> "Recently, in *Gottschalk v. Benson*, 409 U.S. 63 (1972), we repeated the above definition recited in *Cochrane v. Deener*, adding: "Transformation and reduction of an article `to a different state or thing' is the clue to the patentability of a process claim that does not include particular machines." 409 U.S., at 70."[15]

In its *Bilski* decision, the Federal Circuit took this "clue" from the Court and hardened it into a rule. The Court should affirm its precedents delimiting patent protection: that indications of useful processes should not be interpreted inflexibly. Clues are not rules. The §101 examination for a process is predicated on it being useful, not on its technological nature.

B. *Bilski*

Whether the process claims made by *Bilski* are patentable subject matter under §101, in being useful, is difficult to determine because *Bilski*'s claims are not definite. The nature of nebulous claims as inherently unpatentable rightfully belongs under §112 ¶2, without need to reach to the broader constructs of §101.

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[15] *Id* at 184.

Leaving aside §112 ¶2 as dispositive in this case, *Bilski*'s claims go to "balancing" risk of a sort, even as the preamble posits instead "managing... risk costs." No machine is required, nor does a transformation transpire. Lacking those clues to patentability does not necessarily damn a claim from a §101 perspective, though they do make it suspect.

What *Bilski*'s "balancing" a risk position, or "managing" risk costs, lacks is a claim to utility. There is no manifestly useful outcome, no palpable product, no given result. It is not clear how the process is performed, what the tangible outcome is, or even who benefits.

The beneficiary of a claimed process is another clue to patentability. Normally, a user of a process benefits from a process's output. Hence the process is useful.

In Bilski claim 1, it is indefinite who benefits from balancing a risk position, because doing so involves parties inherently opposed: buyer and seller, the buyer preferring a lower cost, and the seller preferring a higher one. Balancing contrasting goals between opposing parties is an abstract idea, as the outcomes are dynamic and various, and thus indefinite. Again, §101 meets §112 ¶2. And, thus, another clue to what is not patentable: processes with variable and unbounded outcomes inherently posses an unpredictability that renders a claim to such a process unworthy of patent protection because its usefulness is uncertain.

The subject matter of *Bilski*'s claims is an abstract idea because the intrinsic usefulness of the process's outcome is not apparent. If one of skill in the art cannot ascribe a claimed process as tangibly useful in of itself, it is not patentable.

CONCLUSION

It is respectfully submitted that the Court affirm its previous precedents with regard to §101 and §112 ¶2.

Respectfully submitted,

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Dated: July 24, 2009