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 OF *AMICUS CURIAE* AUSTIN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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Questions Presented for Review

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 ("machine-or-transformation" test), to be eligible for patent under 35 U.S.C. § 101, 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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STATEMENT OF INTEREST OF THE AMICUS CURIAE[1]

Amicus curiae Austin Intellectual Property Law Association ("Austin IPLA") is a bar association located in Austin, Texas with approximately 300 members engaged in private and corporate practice across a wide range of industries and technologies. (*See* www.austin-ipla.org.) Austin IPLA members represent both the owners of and users of intellectual property.

Austin IPLA takes no position on the ultimate outcome of this matter, and specifically takes no position on whether petitioner's particular process claims should be granted patent protection. Austin IPLA's sole interest is that the integrity of the Patent Act be maintained through consistent statutory interpretation.

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[1] This *amicus curiae* brief is presented by the Austin IPLA under Supreme Court Rule 37(a). Petitioner and Respondent have consented to the filing of this brief. In accordance with Supreme Court Rule 37.6, Austin IPLA states that this brief was authored by Jennifer C. Kuhn, Esq., Amicus Committee Chair for Austin IPLA. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amicus curiae, its members, or its counsel made a monetary contribution to its preparation or submission.

I. Introduction and Summary of Argument

Patent law is in no way exempt from the general rules of statutory interpretation that apply to all other statutes. Accordingly, when faced with an issue of statutory construction in a patent case, as here, this Court should look not only to its patent law precedent, but also its *non-patent* statutory interpretation precedent.

Austin IPLA expects that the parties and other *amici* may focus their arguments on *patent* related jurisprudence. So as to avoid arguments already presented by others, Austin IPLA focuses instead on the proper statutory interpretation of 35 U.S.C. §101 under the Supreme Court's *non-patent* general statutory interpretation precedent.

This Court's *non-patent* precedent overwhelmingly shows that the statutory interpretation adopted by the Federal Circuit in *In re Bilski*, 545 F.3d 943 (2008) cannot be affirmed by this Court.

First, the Federal Circuit's interpretation of "process" does not comport with the general statutory interpretation canon that statutory terms must be interpreted consistently throughout a statute. The Federal Circuit's version of "process" in 35 U.S.C. § 101 is far narrower than the broad definition of "process" in 35 U.S.C. § 100(b) (2008). The Federal Circuit's decision in Bilski notes that the definition in 35 U.S.C. § 100(b) is "unhelpful" because the term "process" is repeated in the

definition. 545 F.3d at 951, n.3. The inclusion of the term "process" in the statutory definition of "process" is not circular or unhelpful. Instead, it suggests that Congress incorporated the settled common law meaning of "process" into the statutory definition of "process."[2] Applying the broader statutory definition of "process," the "machine-or-transformation" test is a sufficient, but not necessary test to determine the patentability of a process patent under 35 U.S.C. § 101. The proper statutory interpretation of 35 U.S.C. § 101 will include the "machine-or-transformation" test.

Second, the Federal Circuit's decision in *Bilski* applies a statutory interpretation that renders superfluous another portion of the statute, an interpretation that is highly disfavored according to principles of general statutory interpretation. The Federal Circuit's statutory interpretation in *Bilski* renders superfluous portions of 35 U.S.C. § 273, a statute that provides a defense to the infringement of business method patents.

As a result, the Federal Circuit's decision appears to be in conflict with two separate, well-established canons found in Supreme Court *non-*

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[2] *See Kungys v. United States*, 485 U.S. 759, 770 (1988) (Scalia, J.) ("Where Congress uses terms that have accumulated settled meaning under either equity or the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms." *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981). *See also Perrin v. United States*, 444 U.S. 37, 42-43 (1979)).

patent statutory interpretation case law. Austin IPLA addresses each of these in greater detail below.

II. The Federal Circuit's *Bilski* Decision Is Contrary to the Canon that Statutory Terms Must Be Construed Consistently Throughout a Statute

It is a "basic canon of statutory construction that identical terms within an Act bear the same meaning." *Estate of Cowart v. Niklos Drilling Co.*, 505 U.S. 469, 479 (1992)(*citing Sullivan v. Stroop,* 496 U.S. 478, 484 (1990) *and Sorenson v. Secretary of Treas.,* 475 U.S. 851, 860 (1986)). In rejecting arguments based on two different interpretations of the phrase "other than" this Court stated that attempting to give a single term two different interpretations in single statute "strains the meaning of ordinary words." *Bankamerica Corp. v. United States*, 462 U.S. 122, 129 (1983).

By giving the term "process" in 35 U.S.C. § 101 an interpretation distinctly narrower than the definition of "process" in 35 U.S.C. § 100(b), the Federal Circuit's decision in *Bilski* "strains the meaning of ordinary words," contrary to this Court's precedent. 462 U.S. at 129. The Federal Circuit's stated reason for not applying the definition of "process" in 35 U.S.C. § 100(b) is that it contains the very term it is defining, such that the Federal Circuit deemed the statutory definition "unhelpful." 545 F.3d at 951, n.3.

This Court's statutory construction precedent, however, suggests a deeper analysis. First, statutory interpretation begins with the language of sections 101 and 100(b). Second, an express

statutory definition such as that found in section 100(b) should control. Third, the fact that the express statutory definition of "process" contains the term "process" is not necessarily circular or "unhelpful" as the Federal Circuit noted in *Bilski*, but instead, is consistent with Congress's use of term "process" in its common law sense to arrive at a broader statutory definition of the term "process." Austin IPLA treats these points seriatim.

A. Statutory Interpretation Begins With the Language of Sections 101 and 100(b)

The starting point for any question of statutory interpretation is the language of the statute. *See Diamond v. Diehr*, 450 U.S. 175, 182 (1981). First, the term "process" is used in 35 U.S.C. 101 as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. § 101.

Second, the term "process" is defined in 35 U.S.C. § 100(b) as follows:

> The term 'process' means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter or material.

35 U.S.C. § 100(b).

Any statutory interpretation of the term "process" in 35 U.S.C. § 101 must be consistent with the language of 35 U.S.C. § 100(b), which defines the term "process" for the entire Patent Act. *See Stenberg v. Carhart*, 530 U.S. 914, 942 (2000).

B. A Court Must Follow an Explicit Statutory Definition, Such as 35 U.S.C. § 100(b)

The Federal Circuit's failure to follow the statutory definition of "process" in section 100(b) when interpreting "process" in section 101 is inconsistent with this Court's *non-patent* precedent. In addition to requiring statutory terms to be interpreted consistently throughout a statute, this Court accords a special status to statutory definitions: "When a statute includes an explicit definition, we must follow that definition, even if it varies from that term's ordinary meaning." *Stenberg v. Carhart*, 530 U.S. 914, 942 (2000). The question of the proper statutory interpretation of "process" in section 101 then depends solely on the proper interpretation of the statutory definition of "process" in section 100(b). *See* 35 U.S.C. §§ 100(b) & 101; *cf. Stenberg*, 530 U.S. at 942.

C. The Fact That the Statutory Definition of the Term "Process" in 35 U.S.C. § 100(b) Recites the Term "Process" Illustrates That Congress Intended to Include the Common Law Meaning of "Process" Within a Broader Statutory Definition of "Process"

The Federal Circuit in *Bilski* dismissed section 100(b) as "unhelpful given that the definition itself uses the term 'process.'" *Bilski*, 545 F.3d at 951, n.3. The use of the term "process" within the statutory definition of "process" does not necessarily render the statutory definition circular or invalid. Analysis of the manner in which "process" is used in section 100(b) suggests that Congress intended to incorporate the common law meaning of "process" into a broader statutory definition.

This Court has held that grammar, syntax and punctuation play a role in statutory interpretation. *See United States v. Ron Pair Enters.*, 489 U.S. 235, 242 (1989) ("The language and punctuation Congress used cannot be read any other way.") In this case, analysis of the way the words in section 100(b) are used and punctuated demonstrate that the defined term "process" is distinct from the common law meaning of "process" used in the statutory definition:

> The term 'process' means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter or material.

35 U.S.C. § 100(b) (emphases added to show three uses of the term "process").

The first use of "process" shows the term "process" in single quotation marks. Those quotation marks serve to show it is the term being defined, and set it apart from the rest of the definition. The second and third uses of "process" in the definition show "process" with no quotation marks. Without the quotation marks, the use of "process" shows that it is being used as an *undefined* term in the statute. Thus, the definition of "process" in 35 U.S.C. § 100(b) *includes* the normal meaning that the rules of statutory interpretation would assign to the *undefined* term "process" because the *undefined* term "process" is part of the definition. Properly interpreting both uses of "process" is necessary to determine the scope of 35 U.S.C. § 101(b).

According to this Court's precedent, terms used in statutes receive their ordinary meanings, or their settled, common law meanings, if the term has such an "established meaning." *See Kungys* 485 U.S. at 770. (Where Congress uses terms that have accumulated settled meaning under either equity or the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms".) When section 100(b) was added to the Patent Act in 1952, the term "process" had a settled meaning in the common law that was, essentially,

the "machine-or-transformation" test adopted by the Federal Circuit in *Bilski*.[3]

The creation of a separate definition of "process" in 35 U.S.C. § 100(b) in the 1952 Patent Act clearly indicates Congress's intent that subject matter of processes in the Patent Act extend beyond what the common law had previously recognized as patentable, but should include all previously patentable subject matter. Congress's use of "process" within the definition, without quotation marks, shows that Congress intended the common law definition of "process" to become part of the statutory definition of "process."[4]

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[3] The historical development of the term "process" is discussed at length in the Federal Circuit's opinion and dissenting opinions. *See* 545 F.3d 943 et seq. Mindful of Supreme Court Rule 37.1, *amicus curiae* Austin IPLA will not repeat that material here.

[4] On two occasions this Court has acknowledged that the "machine-or-transformation" test does not encompass the full scope of patentable subject matter for processes. *See Gottschalk v. Benson*, 409 U.S. 63, 71 (1972) ("It is argued that a process patent must either be tied to a particular machine or apparatus or must operate to change articles or materials to a 'different state or thing.' We do not hold that no process patent could ever qualify if it did not meet the requirements of our prior precedents.") & *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978) (citing *Benson*). In both *Benson* and *Flook*, this Court rejected the process claims at issue as unpatentable, but took care to note that precedent did not describe the entire set of patentable process subject matter. These statements support the interpretation of section 100(b) as incorporating, but not limited to, the common law meaning of "process." Thus, the "machine or transformation test" test is a sufficient, but not necessary, test for determining the patentability of a process.

Hence 35 U.S.C. § 100(b) expressly defines "process," and the statute's use of the term "process" in the definition of the term "process" is not necessarily circular. Accordingly, the Federal Circuit's "machine-or-transformation" test in *Bilski* does not comport with the general statutory interpretation canon that statutory terms must be interpreted consistently throughout a statute.

III. The Federal Circuit's Interpretation in *Bilski* Is Contrary to the Canon that Statutory Terms Should Not Be Interpreted So As to Render Another Portion of the Same Statute Superfluous

The Federal Circuit's "machine-or-transformation" test also violates another statutory interpretation rule found in the Supreme Court's *non-patent* precedent: a statutory interpretation should not render another section of the same statute superfluous. *Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 837 (1988). In *Mackey*, this Court rejected an interpretation that would have rendered a section of the ERISA statute superfluous.

In this case, the Federal Circuit's interpretation of 35 U.S.C. § 101 as being limited to the "machine-or-transformation" test renders portions of 35 U.S.C. § 273 completely superfluous. Section 273(a)(3) reads as follows:

> § 273 Defense to infringement based on earlier inventor
>
> (a) Definitions. For the purposes of this section…
>
> (3) The term "method" means a method of doing or conducting business.
>
> (b) Defense to Infringement.—

> (1) In general.—It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for a method…

35 U.S.C. § 273.

Section 273 was added to the Patent Act in 1999 specifically to create a defense against the business method patents allowed after the Federal Circuit's decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

The quoted portions of section 273 become superfluous under the Federal Circuit's "machine-or-transformation" test because no *State Street*-type business method patent claim could pass such a test, and therefore no defense against infringement of such a business method would be necessary. If patentable processes are limited by the "machine-or-transformation" test, then the statutory subject matter would be too narrow to encompass such a business method, and there would be no need for a defense for prior users of such a business method.

IV. Conclusion

For the foregoing reasons, *amicus curiae* Austin IPLA suggests that the Federal Circuit's decision in *Bilski* should be vacated in view of this Court's general statutory interpretation precedent, and remanded for further proceedings.

Respectfully submitted,

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