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 WASHINGTON STATE PATENT LAW ASSOCIATION IN SUPPORT OF PETITIONER

MICHAEL J. SWOPE,
President
Washington State Patent Law Association
P.O. Box 99305
Seattle, WA 98119

PETER J. KNUDSEN,
Counsel of Record
Woodcock Washburn, LLP
999 Third Avenue,
Seattle, WA 98104
(206) 332-1380
Counsel for Amicus Curiae, WSPLA

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I. INTRODUCTION AND STATEMENT OF INTEREST OF AMICUS CURIAE[1]

The questions presented in this appeal have a broad impact on inventions other than the "business method" claims of Petitioner's patent application. The Federal Circuit's "machine or transformation" test restricts patent eligibility. As a result, institutions will be incentivized to hold future inventions as trade secrets. This result is antithetical to the spirit of the patent laws, which aim to promote the progress of science through the sharing of critical technology.

The Washington State Patent Law Association ("WSPLA") is the leading organization for patent attorneys and other patent professionals in Washington State, providing a forum for patent and other intellectual property law issues, and serving as a valuable resource for patent attorneys, agents, educators, students, and owners of intellectual property.

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[1] This *amicus curiae* brief is presented by the Washington State Patent Law Association under Supreme Court Rule 37.3(a). Petitioner has consented to the filing of this *amicus curiae* brief by a blanket letter of consent filed with the Court February 4, 2009. Respondent has consented *via* a separate blanket letter of consent, dated July 21, 2009. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that no counsel for a party authored any part of this brief. Only this *amicus curiae* made monetary contribution to the preparation and submission of this brief. Counsel for *amicus curiae* prepared this brief on a pro bono basis.

WSPLA takes no position on the merits of Petitioner's alleged innovation.[2] WSPLA's only interest is to assure that the patent law is consistent with the Constitutional mandate to promote the progress of science and the useful arts.

In accordance with Rule 37 of this Court, WSPLA has notified and has consent of both Petitioner and Respondent to file this *amicus curiae* brief.

II. ISSUES PRESENTED

In the present brief we provide guidance to the questions presented in this Court's June 1, 2009 Order granting Petitioner's writ of certiorari:

> 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 patenting 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."

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[2] We take no issue with the fact that State Street Bank may have "launched a legal tsunami, inundating the patent office with applications seeking protection for common business practices." *Bilski*, 545 F.3d at 1004 (J. Mayer dissenting); however, the U.S. Patent & Trademark office is equipped to address "common" practices under §§102 and 103 of the statute.

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.

III. SUMMARY OF ARGUMENT

The standard that governs whether a process is patent eligible subject matter under 35 U.S.C. §101 should be grounded in this Court's precedent as set forth in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) and *Diamond v. Diehr*, 450 U.S. 175 (1981). A "process" entails an act or a series of acts performed upon a subject matter, or a mode of treatment of certain materials to produce a given result. When considered as a whole, a process must be new and useful in that it must be man-made and not exist in nature, and it must be practically useful. Such a process does not have to result in a physical transformation or be tied to a machine, although such provisions are indicia of patent eligibility.

In response to the Federal Circuit's opinion in *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), Congress chose not to change the statutes governing patent eligibility. Rather, Congress enacted 35 U.S.C. §273, which strikes a fair balance between patent law and trade secret law (Congressional Record – Senate 146 Cong Rec. S. 14986, 14994 (11/19/99)). 35 U.S.C. §273 provides a first inventor defense to a patent infringement suit.

In enacting §273, Congress affirmed that the patent laws should encourage innovation, not create barriers to innovation. Although *State Street* could result in patents that prevent people from practicing what they were already doing, Congress did not change §101. Instead, Congress balanced the interests of new patent owners with the interests of

others already practicing the claimed inventions before the patents issued.

IV. ARGUMENT

A. The Federal Circuit erred

1. This Court's precedents do not support the Federal Circuit's conclusion that the "machine or transformation" test defines those inventions that are patent eligible

To "clarify the standards applicable in determining whether a claimed method constitutes a statutory 'process' under §101" (*In re Bilski*, 545 F.3d 943, 949 (Fed. Cir. 2008)), the Federal Circuit derived a "machine-or-transformation" test:

> A claimed process is surely patent-eligible under §101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.

Id. at 954 (citations omitted).

In deriving this test, the Federal Circuit overlooked that this Court's precedent declines 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."

There is no support in this Court's precedent for the Federal Circuit's conclusion that this Court enunciate a definitive "machine or transformation" test for determining the patent eligibility of a claimed process under §101. As a basis for arguing

the lack of support, the Washington State Property Law Association concurs with Section II(B) (pages 9-13) of American Intellectual Property Law Association's brief , dated March 2, 2009, of record in this case: "Brief of Amicus Curiae American Intellectual Property Law Association in Support of the Petition for a Writ of Certiorari."

2. The governing standard for whether a process is patent eligible subject matter under §101 is provided by *Chakrabarty* and *Diehr*

Any patent eligibility analysis must start with the statute itself, as codified in §101:

> 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.

(Emphasis added.) At least four terms are of interest in the present analysis: (1) "any" (2) "new" (3) "useful" and (4) "process." This Court's cases help to delineate the boundaries of §101 and shed light on these terms, including *Gottschalk v. Benson*, 409 U.S. 63 (1972) and *Parker v. Flook*, 437 U.S. 584 (1978), with *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) and *Diamond v. Diehr*, 450 U.S. 175 (1981) providing the most apposite and on-point guidance.

3. *Chakrabarty*: "any," "new," and "useful"

In *Chakrabarty*, certiorari was granted to determine whether a live, human-made micro-organism is patentable subject matter under §101. *Chakrabarty*, 447 U.S. at 305. This human-made genetically engineered bacterium was capable of breaking down multiple components of crude oil, and, because of this property, which was possessed by no naturally occurring bacteria, Chakrabarty's invention was valuable in the treatment of oil spills. *Id.*

The novelty requirement in §101[3] addresses the type of subject matter that is eligible for patent protection, subject to the conditions and requirements of Title 35. In *Chakrabarty*, the type of subject matter was "human-made" and "no[t] naturally occurring." *Chakrabarty*, 447 U.S. at 305. In other words, the patentee produced a "new" bacterium with markedly different characteristics from any found in nature so that his discovery was not nature's handiwork, but his own. *Id.* at 310.

The bacterium was also "useful" because it promised more efficient and rapid oil-spill control. This Court explicitly found that the patentee produced a new bacterium "having the potential for significant *utility*." *Id.* (emphasis added). "Utility" was identified with the "treatment of oil spills," as evidenced by the "capabil[ity] of degrading camphor and octane, two compounds of crude oil" resulting in "more efficient and rapid oil-spill control," *Id.* at 305,

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[3] Vis-à-vis the novelty requirement in 35 U.S.C. §102.

n.1. Thus, this Court identified the practical utility of the invention as a significant aspect of §101 analysis.

Chakrabarty provided a broad scope for "new" and "useful" inventions,[4] in which the term "any" was integral to §101's requirement for "*any* new and useful process" (emphasis added). In particular, this Court observed that:

> The subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting "the Progress of Science and the useful Arts" . . . . Broad general language is not necessarily ambiguous when congressional objectives require broad terms.

Id. at 313. In light of this, the term "any" was interpreted to mean that "*anything* under the sun that is made by man" is eligible for patent protection. *Id.* at 309 (*quoting* S. Rep. No. 82-1979, at 5 (1952); H.R. Rep. No. 82-1923, at 6 (1952)) (emphasis added). This statement not only clarified the scope of the term "any" ("anything"), but also the scope of the term "new" ("made by man"). This interpretation of §101 was also based on Committee Reports that accompanied the 1952 Patent Act, informing this Court of Congressional intent of statutory subject

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[4] *Chakrabarty* applies not only to the biotechnology field, but extends to all fields in patent law. For example, computer instructions are also "made" by developers and are therefore "new"; they can also be "useful" since they can be instrumental in manipulating hardware components employed for practically useful ends Thus, computer instructions can be eligible for patent protection. However, whether they are ultimately patentable in view of 35 U.S.C. §§102 (novelty), 103 (nonobviousness), and 112 (written description and enablement) is a separate inquiry.

matter. *Id.* Thus, *Chakrabarty* more confidently established Congressional intent than either *Gottschalk* or *Flook*, both of which openly solicited Congressional intervention.[5]

This Court previously noted that the scope of §101 extends beyond the particular technologies that legislators may have contemplated at the time of the 1952 Patent Act:

> This Court frequently has observed that a statute is not to be confined to the particular applications contemplated by the legislators. . . . This is especially true in the field of patent law. A rule that unanticipated inventions are without protection would conflict with the core concept of the patent law that anticipation undermines patentability. Mr. Justice Douglas reminded that the inventions most benefiting mankind are those that push back the frontiers of chemistry, physics, and the like. Congress employed broad general language in drafting §101 precisely because such inventions are often unforeseeable.

Chakrabarty, 447 U.S. at 315-16 (citations omitted) (internal quotes omitted). Thus, this Court made it clear that §101 is to be construed very broadly.

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[5] *Gottschalk*, 409 U.S. at 72 ("The technological problems tendered in the many briefs before us indicate to us that considered action by the Congress is needed."); *Flook*, 437 U.S. at 595 ("Difficult questions of policy concerning the kinds of programs that may be appropriate for patent protection and the form and duration of such protection can be answered by Congress.").

However, notwithstanding the breadth of §101, as both *Chakrabarty* and later *Diehr* emphasized, it is not without limitation:

> This is not to suggest that §101 has no limits or that it embraces every discovery. The laws of nature, physical phenomena, and abstract ideas have been held not patentable. Thus, 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."

Id. at 309 (citing *Flook*; *Gottschalk*, 409 U.S. at 67; *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948); *O'Reilly v. Morse*, 15 How. 62, 112-121 (1854); and *Le Roy v. Tatham*, 14 How. 156, 175 (1853)); *see also Diehr*, 450 U.S. at 185. In short, laws of nature, physical/natural phenomena, and abstract ideas are the exceptions to patent eligibility.[6] Examples of these exceptions include Newtonian gravity (a law of nature), new minerals discovered in the earth (physical/natural phenomena), and mere unapplied mathematical formulae such as binary coded decimal to pure binary conversions (abstract ideas).[7] These are the

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[6] In *Diehr*, this Court characterized the exclusion from patent protection "laws of nature, *natural* phenomena, and abstract ideas." *Diehr*, 450 U.S. at 185 (emphasis added).

[7] *Gottschalk*, 409 U.S. at 68.

three traditional categories of exceptions to patent eligibility recognized by this Court, and they should continue to be regarded as the checks on any overbroad interpretation of §101.

4. Diamond v. Diehr: "process"

Following *Chakrabarty*, this Court addressed head-on the eligibility of processes, which are at issue in the present patent application. In *Diehr*, this Court granted certiorari to determine whether a process for curing synthetic rubber which includes in several of its steps the use of (1) a mathematical formula and (2) a programmed digital computer is patent eligible subject matter under §101.

First, this Court found that the patentees did not seek to patent a mathematical formula, but rather sought patent protection for a process of curing synthetic rubber. Even though the process employed the well-known Arrhenius equation, it did not preempt the use of that equation. The process merely foreclosed the use of the Arrhenius equation in conjunction with all the other claimed steps. In other words, the use of the Arrhenius equation in the claim was not an unapplied mathematical formula; rather, it was part of an application to cure rubber.

Second, even though a computer was not needed in the process of curing natural or synthetic rubber, if the use of the computer incorporated in the claimed process significantly lessened the possibility of overcuring or undercuring, the process as a whole did not become unpatentable subject matter. *Diehr*, 450 U.S. at 187. Thus, the use of a well-known formula did not render claimed subject matter

patent-ineligible, and a computer was an integral part of such subject matter:

> It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis. ... This is particularly true in a process claim because a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made.

Id. At 188. Thus, although the process claim simply employed a well-known formula and the use of a digital computer, as a whole it was deemed patent eligible.

When actually examining the process claim itself, as a starting point, this Court looked to past case law for a definition of a "process":

> A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing.

Id. at 183 (quoting *Cochrane v. Deener*, 94 U.S. 780, 787-788 (1877)). At its most general level, a process is described as a mode of treatment of certain materials to produce a given result, or an act, or a series of acts performed upon a subject matter. This definition provides a sufficient basis for identifying a process.

The remaining language, namely, "to be transformed and reduced to a different state or

thing" provides an exemplary scenario of how such a process can be carried out:

> 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.

Gottschalk, 409 U.S. at 70 (internal quotes omitted) (emphasis added); *Diehr*, 450 U.S. at 183. Thus, instead of being a definitive test, transformation at most provides a clue to, or is an indicium of, patent eligibility, and as such it may provide a sufficient condition for patent eligibility, but it is not a necessary one.

This Court appeared to preclude any argument to the contrary:

> 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.

Gottschalk, 409 U.S. at 71 (internal quotes omitted) (emphasis added). Thus, this Court appeared to hold that transformation and tying to a machine provide mere indicia of patent eligibility, but they are not requirements thereof.

In *Diehr*, this Court examined how an "application" of an algorithm impinged on patent eligibility. Citing to *Gottschalk*, this Court noted:

> The sole *practical application* of the [binary-coded decimal to pure binary] algorithm was in connection with the programming of a general purpose digital computer.

Diehr, 450 U.S. at 185-86 (emphasis added). The concern expressed by this Court in *Gottschalk* was that if the claimed invention issued as a patent, it would practically wholly pre-empt the mathematical formula and would result in a patent on the algorithm itself. *Benson*, 409 U.S. at 72. Second, this Court noted that *Flook* presented a similar situation, where method claims were drawn to computing an alarm limit number, and the application sought to protect a formula for computing this number. *Diehr*, 450 U.S. at 186.

In contrast to both *Gottschalk* and *Flook*, the *Diehr* invention did not seek to patent a mathematical formula, but rather it sought patent protection for a process of curing synthetic rubber. *Diehr*, 450 U.S. at 187. Specifically, in *Diehr* the patentees did "not seek to pre-empt the use of that equation. Rather, they [sought] only to foreclose from others the use of that equation in conjunction with all of the other steps in the claimed process." *Id.* These cases appear to lead to the conclusion that *Gottschalk* and *Flook* inventions did not recite enough practical utility, whereas *Diehr* did. *Gottschalk* and *Flook* were directed to algorithms in the abstract, in contrast to *Diehr* that recited a practically useful invention that cured synthetic rubber.

5. Claims that are compliant with §101 Are Subject to Other Requirements under the Statutes, including §§102, 103, and 112.

The statute requires that even if claims are patent-eligible under §101, they are still "subject to the conditions and requirements of this [35 U.S.C.] title," including §§102 (novelty) and 103 (nonobviousness). Thus, the breadth of §101 patent eligibility has to be counterbalanced by other hurdles to patentability found in §§102, 103, and 112 (written description and enablement), so alleviating any concerns patentability of overbroad and inappropriate subject matter.[8]

For example, *Diehr* found that the claimed process at issue was patent-eligible under §101 yet noted that "it may later be determined that the respondents' process is not deserving of patent protection because it fails . . . novelty under §102 or nonobviousness under §103." *Diehr*, 450 U.S. at 191. The same holds true for §112. The process claim in *Diehr* cleared the §101 hurdle because it was the

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[8] Justice Kennedy's concurrence in *eBay Inc.* noted the "potential vagueness" and "suspect validity" of some business method patents. However, vagueness is perhaps best addressed under § 112 of the statute and suspect validity is perhaps best addressed under §§102 and 103 of the patent statute. *eBay Inc. v. MercExhcange, LLC*, 547 U.S. 388, 397 (2006) (Kennedy, J., concurring).

type of subject matter eligible for patentability (being "new and useful"), yet it could have been rejected in view of prior art processes used in the rubber-curing industry that either anticipated or rendered the process claim obvious.

The process in *Diehr* could have failed for lack of written description and enablement. That is, if the application in *Diehr* did not convey with reasonable clarity to those skilled in the art that, as of the filing date sought, the inventor was in possession of the claimed invention, it would have failed the written description requirement. Similarly, if it did not teach those skilled in the art how to interface the digital computer with the Arrhenius equation (i.e., how to make and use the invention) without undue experimentation, it would have failed under enablement. Thus, the *Diehr* process was found patent eligible, at least in part, because the Court realized that §101 is only one of the counterbalancing hurdles that include §§102, 103, and 112, and that §101 should remain open to a broad array of patent-eligible subject matter.

These patentability hurdles guard against any over-broad claims that either cannot be supported by the application itself or that claim already anticipated or obvious subject matter. Thus, despite the breadth of §101, other sections of Title 35 provide a restricting counterbalance.

B. The Federal Circuit "machine or transformation" test contradicts the Congressional intent of 35 U.S.C. §273

1. The Federal Circuit has not followed this Court's precedential deference to Congress on the Reach of §101.

The U.S. Constitution unequivocally give Congress the Power:

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

U.S. Constitution, Article I, Section 8. As the foregoing passage makes clear, Congress has the power to pass laws governing patentable subject matter. Congress has exercised that authority in passing 35 U.S.C. §101. (Patent Act, July 19, 1952, c. 950, 66 Stat. 792, *codified as* Title 35 of the United States Code).

This Court has consistently recognized Congressional authority with respect to the patent laws. Facing the issue of the scope of §101 in the context of genetically modified bacteria, this Court stated in *Chakrabarty* that:

> The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and

> study that legislative bodies can provide and courts cannot.

Id. at 317; see *Parker v. Flook*, 437 U.S. 584, 595 (1978):

> Difficult questions of policy concerning the kinds of programs that may be appropriate for patent protection and the form and duration of such protection can be answered by Congress on the basis of current empirical data not equally available to this tribunal.

In the face of new technology leading to genetically modified plants, in *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), this Court described §101 as a "dynamic provision designed to encompass new and unforeseen inventions." *Id.* at 133. The Court stated: "As in *Chakrabarty*, we decline to narrow the reach of §101 where Congress has given us no indication that it intends this result." *Id.* at 145-46. This Court also stated that "Congress plainly contemplated that the patent laws would be given wide scope," *Id.* at 130 (quoting Chakrabarty, 447 U.S. at 308), and that the language of §101 is "extremely broad." *Id.*

In response to this Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), Congress also amended 35 U.S.C. §271 in 1984. (*See* S. Rep. No. 98–663, pp. 2–3 (1984) describing §271(f) as "a response to the Supreme Court's 1972 *Deepsouth* decision which interpreted the patent laws not to make it an infringement where the final assembly and sale is abroad.") Subsequently, in *Microsoft Corp. v. AT&T*, 550 U.S. 437 (2007), this Court stated:

> Having attended to the gap made evident in *Deepsouth*, Congress did not address other arguable gaps: Section 271(f) does not identify as an infringing act conduct in the United States that facilitates making a component of a patented invention outside the United States; nor does the provision check "suppl[ying] ... from the United States" information, instructions, or other materials needed to make copies abroad. Given that Congress did not home in on the loophole AT&T describes, and in view of the expanded extraterritorial thrust AT&T's reading of §271(f) entails, our precedent leads us to leave in Congress' court the patent-protective determination AT&T seeks.

Id. at 450. As support, this Court cited *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984):

> In a case like this, in which Congress has not plainly marked our course, we must be circumspect in construing the scope of rights created by a legislative enactment which never contemplated such a calculus of interests.

Id. at 431.

Congress devised the Hatch-Waxman laws to provide rights to account for the delay in approving drugs through the FDA. More currently, Congress is addressing issues related to patents covering biological molecules. Congressional committees are devoting efforts to creating "follow-on biologics"

legislation to regulate this new industry. Congress is not contemplating excluding biological molecules from patent protection.

Congress has been debating a significant rewrite of the patent laws for the past several years. 111 S. Rpt. 18, 2009 H.R. 1260. Noticeably absent from that debate is any discussion of changing §101 of the patent statutes.

Courts are free to interpret statutes passed by Congress and have done so. As illustrated above with respect to the *Deepsouth* decision, courts have stepped in when the statute was not clear. However, where courts have decided issues that were not clear from existing law, Congress has not hesitated to clarify. The *Deepsouth* decision is one example. Additionally, in *In re Bass*, 59 CCPA 1342 (CCPA 1973), the appellate court found that 35 U.S.C. §103, as written, resulted in the rejection of a patent to a research organization team in view of subject matter previously developed by some of the members of the team. Congress responded. Congress amended the patent statutes to preclude rejections under prior art owned by the same research organization. 35 U.S.C. §103(c) (1984).

Years later, the Federal Circuit found that §103(c), as written, meant that secret prior art exchanged under confidentiality agreements between companies can used as evidence to render an invention obvious. *OddzOn Products v. Just Toys* 122 F3d 1396 (1997). Congress again responded and passed the CREATE act to preclude rejections over information arising under a joint research agreement between two research organizations. 35 U.S.C. §103(c)(2) (1997).

The issue presently before this Court has its origins in the Federal Circuit's opinion in *State Street*. The Federal Circuit held that under §101 there were *no exceptions* to patentable subject matter. At the time, this decision was controversial because many had believed that business methods were excluded from patent protection. Congress again acted. Congress chose to keep §101 open and to enact other legislation. As a direct result of *State Street*, Congress enacted 35 U.S.C. §273:

> The first inventor defense will provide the financial services industry with important, needed protections in the face of the uncertainty presented by the Federal Circuit's decision in the State Street case. In *State Street*, the Court did away with the so-called "business methods" exception to statutory patentable subject matter. Consequently, this decision has raised questions about what types of business methods may now be eligible for patent protection. In the financial services sector, this has prompted serious legal and practical concerns. ...
>
> The first inventor defense strikes a fair balance between patent law and trade secret law.

146 Cong Rec. S. 14986, 14994 (1999) (citation omitted). Congress explicitly recognized that business methods patents were eligible for patent protection. It responded to *State Street*, not by amending §101 to clarify and narrow its scope (as it

had done in the case of §103), but by providing rights to those who otherwise would be excluded from practicing patented business methods.

Congress enacted §273 while recognizing that patent law should encourage innovation, not create barriers to innovation:

> With regard to Title II, the First Inventor Defense [the House bill leading to §273] I have always held that we simply cannot champion trade secret protection over patent protection for clearly patentable subject matter. We cannot betray our Founding Fathers by abandoning the foundation upon which our patent system is based. We cannot openly advocate secrecy when our patent system calls for us to vigorously promote the progress of science through the sharing of critical technology.

145 Cong Rec H 6929, 6943-44 (1999). To paraphrase the *AT&T* Court, having attended to the gap made evident in *State Street Bank*, Congress did not address other arguable gaps in §101.

2. The Federal Circuit decision in Bilski contradicts the Congressional intent of §273.

In *Bilski*, the Federal Circuit erred by not considering the intervening passage of §273. Whether or not the Federal Circuit correctly decided the scope of §101 in *State Street*, after the passage of §273, the court was no longer free to reconsider its

State Street decision without considering the impact of Congressional action and the passage of §273.

Section 273 makes clear that Congress intended that a wide scope of inventions are patent eligible, and not simply those methods that are tied to a machine or that transform an article to a different state or thing:

> 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* in the patent being asserted against a person.

35 U.S.C. §273(b)(1) (emphasis added).

The legislative history of §273 supports the broad definition of patents involving business methods. Congress tacitly viewed inventions involving business methods as patent eligible under §101 as a natural effect of the *State Street* decision.

> As used in this legislation, the term "method" is intended to be construed broadly. The term "method" is defined as meaning "a method of doing or conducting business." thus, "method" includes any internal method of doing business, a method used in the course of doing or conducting business, or a method for conducting business in the public marketplace. It includes a practice, process, activity, or system that is used in the design, formulation, testing, or manufacture of any product or service. The defense will be applicable against method claims, as

> well as the claims involving machines or articles the manufacturer used to practice such methods (i.e., apparatus claims). New technologies are being developed every day, which include technology that employs both methods of doing business and physical apparatus designed to carry out a method of doing business. The first inventor defense is intended to protect both method claims and apparatus claims.

146 Cong Rec. S., at 14994. Congress intended to interpret business methods broadly:

> The term "method" should be interpreted broadly so that it includes any "method of doing or conducting business," including a process. The method that is the subject matter of the defense may be an internal method of doing business, a method used in the course of doing or conducting business, or a method for conducting business in the public marketplace. It can be a method used in the design, formulation, preparation, application, testing, or manufacture of a product or service. A method is any systematic way of accomplishing a particular business goal. The defense should be applicable against patent infringement claims regarding methods, and to claims involving machines or articles of manufacture used to practice such methods (if such apparatus claims are

> included in the asserted patent). In the context of the financial services industry, methods would include financial instruments (e.g., stocks, bonds, mutual funds), financial products (e.g., futures, derivatives, asset-backed securities), financial transactions, the ordering of financial information, any system or process that transmits or transforms information with respect to eventual investments or financial transactions.

Id. at 15016. Many of the methods listed by Congress involve transactions involving financial instruments or financial products in ways that do not involve machines in the regular course. The legislative history of §273 lacks any statement or discussion that would contradict this broad view of patent eligibility.

The definition of process used to derive the Federal Circuit's "machine or transformation" test contradicts the definition of business methods used in the context of §273. Congress understood that inventive technology advanced beyond its existing limits, and this resulted in a need for flexibility in the law to permit new inventions access to patent rights. Congress defined business methods broadly to embrace these technological advances and their relative importance to the financial industry. The Federal Circuit did not use the definition of business method relied upon by Congress. Rather, it arrived at its own definition by an exegetical analysis of the word "process," going back to English law of 1663. In this respect, the Federal Circuit's definition of a patentable method contradicts the practical

definition relied upon by Congress. In construing statutory law, a definition cannot be used in one way while defining the scope of patent eligible subject matter, and in a different way during patent enforcement when construing entitlement to a defense under §273. If the Federal Circuit's definition differs, it can only be that the Federal Circuit defines patentable business method patents, i.e., those falling within §273, more narrowly than Congress intended.

The Federal Circuit's "machine or transformation" test contradicts Congressional intent by potentially stifling the advance of science and the technical arts, including patents for methods of conducting business. This new test has a suppressive effect on patent eligibility relating to technical inventions of certain industries, contradicting Congressional intent to leave §101 open to broadly encompass new technologies.

3. The Federal Circuit decision upsets the balance between trade secrets and patents created by §273.

Congress enacted §273 while recognizing that patent law should encourage innovation, not create barriers to innovation:

> With regard to Title II, the First Inventor Defense [the House bill leading to §273] I have always held that we simply cannot champion trade secret protection over patent protection for clearly patentable subject matter. We cannot betray our Founding Fathers by

> abandoning the foundation upon which our patent system is based. We cannot openly advocate secrecy when our patent system calls for us to vigorously promote the progress of science through the sharing of critical technology.

145 Cong Rec H 6929, 6943-44 (1999). Congress sought to provide rights to inventors holding trade secrets, who believed that their inventions were not eligible for patent protection:

> Before the State Street Bank and Trust case as to which in 1998 the U.S. Supreme Court upheld the Court of Appeals for the Federal court, it was universally thought that methods of doing conducting business were not patentable items.
>
> Before that case, everybody would keep that secret and never tried to patent it. In recognition of this pioneer clarification in the law by that case, we felt that those who kept their business practices secret had an equitable cause not to be stopped by someone who subsequently reinvented the method of doing or conducting the business or obtaining a patent.

Id. at 6947.

The intent of Congress while enacting §273 was to balance the interests of patent owners and trade secret owners. Congress wanted to maintain patent eligibility for new technologies, particularly technologies relating to process patents. It resolved the tension between these by providing additional

rights to trade secret owners relating to business methods.

In enacting §273, Congress understood that it was forcing inventors to make information public:

> We cannot openly advocate secrecy when our patent system calls for us to vigorously promote the progress of science through the sharing of critical technology.

145 Cong Rec H 6929, 6943-44 (1999). Relying on *State Street* and §273, thousands of patent applications have been filed, many issuing as patents. The Federal Circuit's "machine or transformation" test changes the balance in a way that Congress did not intend and in effect punishes those who, relying on Congress, chose to make public that which they would have otherwise kept secret.

The effect of the Federal Circuit's newly minted test is to shift those inventions already published as patent applications into the category of patent ineligible subject matter. Rather than relying on principles of preemption of fundamental principles, now inventors must rely on the Federal Circuit's "machine or transformation" test. This test has excludes patent protection not only for business method patents, but also for inventions in various industries. This test raises a difficult question of policy concerning the kinds of programs that may be appropriate for patent protection, one this Court identified that can be answered by Congress on the basis of current empirical data not available to the Courts. The Federal Circuit produced an unfair result. Those companies that relied on *State Street* and §273 have disclosed their trade secrets in good

faith. The Federal Circuit's *Bilski* decision effectively abrogates patent rights of these inventors after they revealed valuable trade secrets to the public. This unfairly injures these companies and others who have been awarded patents based on previous law.

V. CONCLUSION

For the reasons set forth above, WSPLA respectfully submits that the governing standard regarding when a process is patent eligible under §101 is established in *Chakrabarty* and *Diehr*. A process should be understood to entail an act or a series of acts performed upon a subject matter, or a mode of treatment of certain materials to produce a given result. When considered as a whole, a process has to be new and useful in that it must be man-made and not exist in nature, and it must be practically useful. Such a process does not have to result in a physical transformation or be tied to a machine because such provisions are mere indicia of patent eligibility.

Respectfully submitted

August 5, 2009

Michael J. Swope
President
Washington State Patent Law Association

Peter J. Knudsen
Counsel of Record
Woodcock Washburn LLP
999 Third Avenue
Suite 3600
Seattle WA 98104

206-332-1390

Certificate of Service

I, Erika Eidsmoe, am a legal secretary for the law firm of Woodcock Washburn LLP, 999 Third Avenue, Suite 3600, Seattle, Washington. I hereby certify that on the fifth day of August, 2009, I caused to be served via overnight courier upon the following, two (2) true and correct copies BRIEF OF *AMICUS CURIAE* WASHINGTON STATE PATENT LAW ASSOCIATION:

J. Michael Jakes
Finnegan Henderson Farabow
Garrett & Dunner LLP
901 New York Avenue, NW
Washington, DC 20001-4413
Attorneys for Petitioners, Bernard L. Bilski and Rand A Warsaw

Elena Kagan
Acting Solicitor
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530-0001
Attorney for John J. Doll, Acting Under Secretary of Commerce for Intellectual Property and Acting Director, Patent and Trademark Office

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

DATED this fifth day of August, 2009, at Seattle, Washington.

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Erika Eidsmoe