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, Patent and Trademark Office,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS AMICUS CURIAE SUPPORTING NEITHER PARTY

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INTEREST OF AMICUS CURIAE

Founded in 1884, the Intellectual Property Law Association of Chicago (IPLAC) is a voluntary bar association of over 1,000 members who work daily with patents, trademarks, copyrights, trade secrets, and the legal issues that such intellectual property presents.[1] IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. Its members include attorneys in private and corporate practice as well as government service, whose work routinely involves intellectual property rights. Many of its members are admitted to practice before the U.S. Patent and Trademark Office (PTO) as well as state and federal bars throughout the United States. Its members and the businesses they serve are involved in literally every technological and scientific discipline existing today, *e.g.*, chemistry, electronics, computer hardware and software,

[1] Consents to file this brief from the counsel of record for all parties are on file with the Clerk of the Court pursuant to Supreme Court Rule 37.3(a). This brief was not authored, in whole or in part, by counsel to a party, and no monetary contribution to the preparation or submission of this brief was made by any person or entity other than IPLAC or its counsel. After reasonable investigation, IPLAC believes that no member of its Board or Litigation or Amicus Committee who voted to prepare this brief on its behalf, or any attorney in the law firm or corporation of such a board or committee member, represents a party with respect to this litigation. Some committee members or attorneys in their respective law firms or corporations may represent entities that have an interest in other matters which may be affected by the outcome of this litigation.

biotechnology, green technology, nanotechnology, and many others. In the litigation context, IPLAC's members are split about equally between plaintiffs and defendants, with all of these technologies routinely litigated.[2]

As part of its central objectives, IPLAC is dedicated to aiding in the development of the patent laws both in the PTO and in the courts. Accordingly, IPLAC has a vital interest in the issue presented by this case, which will have a far-reaching impact on patent rights. The question before this Court is whether a process can be considered for patent eligibility under 35 U.S.C. § 101 only if the process is tied to a particular machine or apparatus, or transforms a particular article into a different state or thing ("machine-or-transformation" test). The Federal Circuit adopted this rigid test in the face of this Court's precedent which mandates a broader application of Section 101. Section 101 fulfills a gatekeeper function to ensure that certain types of inventions are not subject to patent coverage. This Court has defined such excluded inventions as those which seek patents on natural phenomena, laws of nature, or abstract ideas. Apart from these categories, this Court has considered Section 101 to be a broad provision that accords patent eligibility to "*any* new and useful process . . . " [emphasis added]. This

[2] While over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

construction is in keeping with the Constitutional power vested in Congress, "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. CONST., Article I, Sec. 8. Once an invention meets the broad patent eligibility requirements of Section 101, other substantive portions of the patent statute are used to determine if the invention is novel, non-obvious, and otherwise deserving of patent protection. *See*, *e.g.*, 35 U.S.C. §§ 102, 103, 112.

SUMMARY OF ARGUMENT

The Federal Circuit's rigid "machine-or-transformation" test must be rejected as the sole test for determining whether a process invention is patent-eligible ("statutory"). That test is too narrow and does not comport with this Court's expansive view of Section 101 and the Court's actual applications of Section 101.

ARGUMENT

The Bilski invention is a method for organizing business events or for conserving assets (*i.e.*, lowering future costs of goods to be purchased in a changing economic climate). This invention failed the Federal Circuit's "machine-or-transformation" test and was pronounced ineligible for patent.

IPLAC urges this Court to reject the Federal Circuit's rigid "machine-or-transformation" rule, as inconsistent with Section 101 of the patent statute, 35 U.S.C. § 101, in favor of this Court's long-established tests, such as were reaffirmed twenty-eight years ago in *Diehr*.[3] IPLAC takes no position on whether the invention in the Bilski patent application is patent-eligible under either this Court's existing tests or the new one announced by the Federal Circuit.

The primary issue before the Court is the proper interpretation of 35 U.S.C. § 101 and what constitutes patent-eligible subject matter under that statute. This issue is not new. For over two centuries, the patent laws of this country have been viewed as a way to encourage innovation. Indeed, in 1807, Thomas Jefferson recognized that personal ingenuity should be fostered when he wrote, "Nobody wishes more than I do that ingenuity should receive a liberal encouragement."[4] Such "liberal encouragement" is embodied in Section 101, which as this Court explained in 1980 is a broad provision:

> 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

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[3] *Diamond v. Diehr*, 450 U.S. 175, 101 S.Ct. 1048 (1981).

[4] *Graham v. John Deere Co.*, 383 U.S. 1, 8, 86 S.Ct. 684, 689 (1966), quoting Letter to Oliver Evans (May 1807), 5 Writings of Thomas Jefferson, at 75-76 (Washington ed.).

> useful Arts" with all that means for the social and economic benefits envisioned by Jefferson. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.

Diamond v. Chakrabarty, 477 U.S. 303, 315, 100 S.Ct. 2204 (1980) (quoting U.S. CONST. Art. I, § 8, which declares that the purpose of the patent system is "to promote the Progress of . . . useful Arts . . . ").

However, the Federal Circuit has now wandered from Jefferson's ideal and from the decisions of this Court, essentially rewriting Section 101 to restrict its scope in a way that neither Congress nor this Court have previously approved. The Federal Circuit has stated *en banc* that subject matter is patent-eligible under Section 101 only if it meets that court's newly-enunciated "machine-or-transformation" test. The Federal Circuit majority emphasized that this test is the exclusive Section 101 test by reiterating it no less than four times. *See*, *e.g.*, *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) at 956 (" . . . we . . . reaffirm that the machine-or transformation test, properly applied is the governing test for determining patent eligibility of a process under § 101"); 959 ("Rather, the machine-or-transformation test is the applicable test for patent-eligible subject matter."); 959-60 ("Therefore, we also conclude that the "useful, concrete and tangible result" inquiry is inadequate and reaffirm that the machine-or-transformation test outlined by the Supreme Court is the proper test to apply"); and 961 ("Thus, the proper inquiry under § 101 is not

whether the process claim recites sufficient 'physical steps,' but rather whether the claim meets the machine-or-transformation test.").

The breadth of Section 101 is found in its words. It states:

> 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.

The Federal Circuit has rewritten this straightforward statute by adding a requirement that is nowhere authorized nor implied. The statute, as the Federal Circuit sees it, now must be read as containing the emphasized language:

> 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, *provided that no process nor improvement thereof shall be deemed eligible for a patent under this Section 101 unless it either is performed by a specifically identified machine or transforms an article from one state to another*.

Indeed, the Federal Circuit's new test ignores the definition of "process" found in 35 U.S.C. § 100(b) ("The term 'process' means process, art or method, and includes a new use of a known process, machine,

manufacture, composition of matter, or material."). This definition, added to the Patent Act in 1952, is not limited to a process that is performed on a specific machine or one that transforms the state of an article. The Federal Circuit noted the presence of the definition but deemed it "unhelpful given that the definition itself uses the term 'process.'" *In re Bilski*, 545 F.3d at 951, n.3. The Federal Circuit's rigid test affects this definitional Section as well.

IPLAC submits that it is inappropriate to rewrite Section 101, as the Federal Circuit has done. Rather, the statute can be properly applied by reaffirming its breadth and confirming, as this Court did in *Diamond v. Diehr*, that the only limits to patent eligibility are those that bar patent protection on "laws of nature, natural phenomena, and abstract ideas." All other useful processes, etc., are eligible subject matter for patent protection. *See* IPLAC's proposed test, Sec. V *infra*.

Human ingenuity extends far beyond processes of making or transforming things. IPLAC submits that the Federal Circuit's bright-line rule specifying eligible subject matter for patenting is contrary to the statute, as is confirmed by rulings of this Court that have twice affirmatively rejected such a narrow interpretation. If any bright-line rule belongs in this subject area, such a rule should focus on what is rightly excluded, just as the Court's rule in *Diehr* did. IPLAC submits that limitations regarding eligibility for the patenting of methods should be confined to denying patents which claim laws of nature, the mere

discovery of physical phenomena, and abstract ideas, and that this Court should affirm its long-held opinion that patents for processes which accomplish "new and useful" results are eligible for patenting.

I. The Federal Circuit's Rigid "Machine-or-Transformation" Test Would Exclude Inventions This Court Has Previously Sustained

IPLAC acknowledges that if an invention meets the "machine-or-transformation" test, that invention is patent-eligible, *i.e.*, it is "statutory subject matter" under 35 U.S.C. § 101. However, the converse is not always true. That is, even if a process does not meet the machine-or-transformation test, it can still be patent eligible under this Court's precedent.

The Federal Circuit's machine-or-transformation test is akin to its "teaching-suggestion-motivation" (TSM) test that was used to determine if a patent claim was obvious, and hence invalid, under 35 U.S.C. § 103. Both tests are rigid in that each was designed to be applied in a formulistic fashion. Under TSM, if a prior art reference did not reasonably teach, suggest, or motivate one to combine the prior art to arrive at the claimed invention, then the reference did not support obviousness. This Court rejected the TSM test as the one and only test to be applied in judging obviousness and reaffirmed that obviousness

is not the prisoner of formula.[5] The Court noted that TSM may, of course, be used, but that the test is not the exclusive measure of patent obviousness.

The Federal Circuit's "machine-or-transformation" test mandates that there simply is no statutory subject matter unless the invented process uses a specific "machine" or "transforms" the state of an article. Although the "machine-or-transformation" test may be useful as one test for establishing some inventions as patent-eligible, it is not appropriate to use that test as the sole measure of patent eligibility. This Court's decision in *O'Reilly v. Morse*, 15 How. 62, 56 U.S. 62 (1853), highlights this point.

In *O'Reilly v. Morse*, this Court considered claims in Samuel Morse's patent directed to using electromagnetism to reproduce letters and words at remote distances. The Court ruled that claim 8 was unpatentable because the claim was not confined to any particular process or structure, or even to the content of the specification.[6] However, the Court

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[5] *See KSR Int'l. Co. v. Teleflex, Inc.,* 550 U.S. 398, 127 S.Ct. 1727 (2007).

[6] The Court found invalid only claim 8 ("the use of the motive power of the electric or galvanic current, which I call electromagnetism, however developed, for making or printing intelligible characters . . . at any distances, being a new application of that power . . . "). The Court discussed several bases for this, including that the specification was not commensurate with the scope of the claim, the claim was overbroad, that some implementations within the scope of claim

(Continued on following page)

voiced no objection to Prof. Morse's fifth claim (of the patent as reissued in 1848) directed generally to a type of code – such as the Morse code – set forth in the claim as follows: "Fifth. I claim, as my invention, the system of signs, consisting of dots and spaces, and of dots, spaces, and horizontal lines, for numerals, letters, words, or sentences, substantially as herein set forth and illustrated, for telegraphic purposes." 56 U.S. at 86.

Under the current statute, 35 U.S.C. § 101, this fifth claim covering a "system of signs" (code) is not a "machine, manufacture, or composition of matter." Nor is the fifth claim directed to a "new and useful improvement" of any machine, manufacture or composition of matter. In the language of the current statute, the only other patent-eligible subject matter is a "new and useful process." As to that, the claim is not tied to a particular machine, although the claim notes that the code is used "for telegraphic purposes." It does not transform matter. It is a set of symbols that a machine *or human being* might transmit or understand. It was used extensively for many decades in the business of communicating. It would fail a rigid application of the "machine-or-transformation" test.[7]

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8 may be inoperative, and that the claim was purely functional without connection to any structure.

[7] Morse's sixth claim (1848 reissue), unlike the fifth, included specific reference to recording machinery: "Sixth. I also claim as my invention the system of signs, consisting of dots and spaces, and of dots, spaces, and horizontal lines, substantially as

(Continued on following page)

No one could seriously challenge Prof. Morse's fifth claim as a law of nature or that it wholly preempts an algorithm. Neither is a code based on dots and spaces an abstract idea. Nor is it a physical phenomenon. This fifth claim would be patent-eligible under this Court's expansive application of Section 101, but not under the Federal Circuit's test imposed below.

Human ingenuity has extended beyond codes to other methods that do not transform matter and are not specific to a machine. One fertile area of innovation concerns amusement and gaming, where thousands of patents have issued. One example is

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herein set forth and illustrated, in combination with machinery for recording them, as signals for telegraphic purposes." 56 U.S. at 86.

Without indicating whether it was discussing claim 5, 6, or some other claims, the Court included some general language about the invention at the end of the majority opinion: "Neither is the substitution of marks and signs, differing from those invented by Professor Morse, any defence to this action. His patent is not for the invention of a new alphabet; but for a combination of powers composed of tangible and intangible elements, described in his specification, by means of which marks or signs may be impressed upon paper at a distance, which can there be read and understood. And if any marks or signs or letters are impressed in that manner by means of a process substantially the same with his invention, or with any particular part of it covered by his patent, and those marks or signs can be read, and thus communicate intelligence, it is an infringement of his patent. The variation in the character of the marks would not protect it, if the marks could be read and understood." *Id.* at 124.

U.S. Patent 5,685,774 for a method for playing card games.[8] Another area of innovation concerns agriculture where, for example, U.S. Patent 6,338,040 concerns a method for delaying development in a pest species of resistance to a pest control technique, using

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[8] Claim 1 provides: "1. A method of playing a card game involving one or more persons acting as a dealer and a banker, and at least one player, the method comprising the steps of:

(a) determining whether to place a first bet that the player's hand will be greater than a first predetermined rank, where a plurality of hands are ranked according to predetermined rules and the first bet is a fixed payout bet;

(b) determining whether to place a second bet that the player's hand will beat the dealer;

(c) placing at least one of the first and second bets;

(d) the dealer dealing to each player and the dealer a hand consisting of three cards;

(e) the or each player who placed the second bet deciding, based on the player's hand, either to forfeit the second bet to the banker or to place a third bet;

(f) the dealer determining whether the dealer's hand exceeds a second predetermined rank, and if the dealer's hand does not exceed the second predetermined rank, the bank paying each player an amount based on the second bet and returning the third bet to the player, or

if the dealer's hand exceeds the second predetermined rank, comparing the dealer's hand in turn with that of each other player who placed the second bet and if the player's hand is higher, the banker paying the player an amount based on both the second and third bets, and if the player's hand is lower, the player forfeiting both the second and third bets to the banker; and

(g) the banker paying the fixed payout bet in accordance with a predetermined scale to any player who placed the first bet and whose hand exceeds the first predetermined rank."

crop insurance to encourage correct uses of refuges.[9] No reason appears for excluding these and similar advances from the protections and advantages of the patent laws, as would result if the Federal Circuit's new test were upheld.

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[9] Claim 1 provides: "1. A method of encouraging and facilitating producers assisting in delaying the development in a pest species of resistance to a bio-genetic control technique directed against that species in the use of a primary asset employing that control technique, using refuges set out by individual ones of the producers, each of the refuges using a similar asset not employing that control technique and meeting conditions specified for management of the primary asset in regard to that pest species, the method comprising the steps of:

entering into a policy of indemnity insurance with each of a plurality of producers on the yields of the similar asset in the refuges as against any damage to be caused by the pest species therein;

facilitating the growing [of] the primary asset in a first area and the similar asset in a second, refuge area, the first and second areas being laid out according to the conditions specified and the sizes and locations of such areas facilitating interbreeding of resistant and non-resistant members of the pest species;

inspecting, measuring, and testing each of the refuge areas for compliance with the conditions specified, and, if the conditions are complied with, also inspecting and testing the refuge asset and then computing, accounting and paying to ones of said producers meeting the conditions at least part of any estimated damage caused by the pest species to the similar asset in compliant ones of the refuges,

thereby avoiding economic disincentive to the producers against properly using refuges in management of the primary asset."

II. The "We Do Not Hold" Precedents Militate Against a Rigid Rule

The Federal Circuit majority's decision in *Bilski* misapplies and contradicts this Court's precedent. In considering the patentability of an algorithm to improve the efficiency of a digital computer in *Gottschalk v. Benson*, 409 U.S. 63 (1972), this Court was asked to make "machine-or-transformation" the sole, universal rule of patent eligibility. This Court explicitly declined that invitation, stating:

> 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.

409 U.S. at 71, 93 S.Ct. at 257.

This Court announced expressly that while "machine-or-transformation" may be a consideration, it is not the only test for statutory subject matter: some other subject matter may be statutory even if it is not a "machine-or-transformation."

A few years later, this Court reiterated its caveat, stating, "As in *Benson*, we assume that a valid process patent may issue even if it does not meet one of these qualifications of our earlier precedents. 409 U.S., at 71, 93 S.Ct., at 257." *Parker v. Flook*, 437 U.S. 584, 588 n. 9, 98 S.Ct. 2522, 2525 n. 9 (1978). The *Flook* opinion, 437 U.S. at 589, 98 S.Ct. at 2525,

reiterated the well-known exclusions recounted in *Benson*:

> "'A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.' *Le Roy v. Tatham,* 14 How. 156, 175. Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work." 409 U.S., at 67, 93 S.Ct., at 255.

The Court then cautioned that the line between what is a patentable "process" and an unpatentable "principle" is not always clear, 437 U.S. at 589, 98 S.Ct. at 2525, and said that the proper analysis is to determine whether the " . . . process itself, not merely the mathematical algorithm, [is] new and useful." 437 U.S. at 591, 98 S.Ct. at 2526.

This "new and useful" approach is consistent with the express language of the statute as well as with dicta in *Graham v. Deere,* 383 U.S. 1, 86 S.Ct. 684 (1966). In *Graham*, this Court mentioned "business" in discussing the Constitution's enabling provision for patents; the Constitution limits the patent-granting power to, among others, "useful arts" and then only to inventions that *promote* progress in contradistinction to patents covering "business" as

were once granted by the British Crown.[10] Certainly "new and useful" processes that "promote the Progress of the useful Arts" are not limited to those that may satisfy the Federal Circuit's "machine-or-transformation" test.

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[10] "This qualified authority, unlike the power often exercised in the sixteenth and seventeenth centuries by the English Crown, is limited to the promotion of advances in the 'useful arts.' It was written against the backdrop of the practices – eventually curtailed by the Statute of Monopolies – of the Crown in granting monopolies to court favorites in goods or businesses which had long before been enjoyed by the public. *See* Meinhardt, *Inventions, Patents and Monopoly*, pp. 30-35 (London, 1946). The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must 'promote the Progress of * * * useful Arts.' This is the standard expressed in the Constitution and it may not be ignored. And it is in this light that patent validity 'requires reference to a standard written into the Constitution.' *Great A. & P. Tea Co. v. Supermarket Equipment Corp.*, *supra*, 340 U.S. at 154, 71 S.Ct. at 131 (concurring opinion)." *Graham v. John Deere Co.*, *supra*, 86 S.Ct. at 687-88.

III. Subsequent Precedents of This Court Also Militate Against a Rigid Rule

The next patentable subject matter ruling by this Court concerned genetically-engineered microorganisms, *Diamond v. Chakrabarty*, 447 U.S. 303, 100 S.Ct. 2204 (1980). The Court did not address a process but instead considered whether a living organism should be patent-eligible. The Court saw the issue as one of statutory construction and observed that the language chosen by Congress for identifying subject matter eligible for patenting "plainly contemplated that the patent laws would be given wide scope." 447 U.S. at 308, 100 S.Ct. at 2207. It cited legislative history for the 1952 Patent Act as informing the Court that "anything under the sun that is made by man" is within Congress' intent. However, the Court reiterated that Section 101 has limits: laws of nature, physical phenomena, and abstract ideas are not patentable. 447 U.S. at 309, 100 S.Ct. at 2207.

Subsequently, in *Diamond v. Diehr*, 450 U.S. 175, 101 S.Ct. 1048 (1981), the Court again addressed the scope of patent-eligible subject matter, considering there a process for making synthetic rubber. The Court again saw the question as one of statutory construction, finding the process to be eligible subject matter. While the *Diehr* Court did note the statement in *Benson* concerning transformation and reduction of an article to a different state or thing as " . . . the clue to the patentability of a process claim that does not include particular machines," 450 U.S. at 184, 101

S.Ct at 1055, it said nothing to overrule the caveats in *Benson* itself and in *Flook* that *other* subject matter might also be patent-eligible.

The Federal Circuit seems to have dismissed this Court's caveats in *Benson* and *Flook* because the Court has not reiterated them in each subsequent decision. However, that a plain caveat is not restated is no clear indication that this Court has changed the law. If the intent of this Court were to retreat from its own express caveats, it would have said so plainly. Moreover, such caveats were not involved in the subsequent cases – one involved a question of living matter rather than a process, and the other was a machine process for making synthetic rubber. Neither of those cases involved exploring new territory in the patent-eligibility of processes.

IV. Congress Has Shown How It Intends To Deal With Certain Classes of Invention, and Has Shown No Desire To Exclude Business Methods Generally

Congress has chosen not to amend 35 U.S.C. § 101 to exclude subject matter from patent-eligibility in those instances where patents have been granted that raised concerns. Instead, Congress has acted to maintain the broad scope of Section 101 while addressing its particular concerns specifically. When patents issue for specific classes of subject matter about which Congress has concerns, it does not amend 35 U.S.C. § 101 to exclude them. A clear

example of this concerns medical procedures. Inventions were being made, and patents issuing, for surgical or medical procedures. Congress decided not to remove the economic incentive for such inventions but simply amended another part of the patent statute so that even if a medical practitioner were infringing a patent, no remedy could be obtained against him or her.[11] Any remedies would have to come from others, *e.g.,* business corporations supplying components or accessories for the procedure.

Similarly, when faced with concerns about the rise of business method patents and defenses to them, Congress enacted the First Inventor Defense Act of 1999. Pub. L. No. 106-113, § 4302, 113 Stat. 1501A-555, 555-57 (1999) (codified at 35 U.S.C. § 273). Congress did not amend Section 101 to remove business methods from the subject matter that is patent-eligible. Instead, it provided a personal defense to infringement of claims reciting a method of doing or conducting business. 35 U.S.C. § 273. Congress has had several opportunities to legislate

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[11] Section 616 of the Omnibus Consolidated Appropriations Act of 1997, 104 P.L. 208, 110 Stat. 3009 amended the patent statute so that 35 U.S.C. Section 287(c)(1) now provides: "With respect to a medical practitioner's performance of a medical activity that constitutes an infringement under section 271(a) or (b) of this title, the provisions of sections 281, 283, 284, and 285 of this title shall not apply against the medical practitioner or against a related health care entity with respect to such medical activity."

the patent-eligibility of business methods but has declined to do so. *See*, *e.g.*, H.R. 5346, 106th Cong. (2d Sess. 2000); H.R. 1332, 107th Cong. (1st Sess. 2001); H.R. 5299, 108th Cong. (2d Sess. 2004). In none of these bills did Congress propose to amend Section 101 in any respect.

Congress' actions are instructive. As this Court has counseled, where Congress has declined to place limitations on the patent laws, the courts should not impose them. *Chakrabarty*, 447 U.S. at 308; *Diehr*, 450 U.S. at 182, 101 S.Ct. at 1054.

V. A Recommended Test

IPLAC suggests that the most sensible test for subject matter eligibility, based on the Constitution, precedent, and the statute itself, is that a process is patent-eligible subject matter when it:

- is not directed exclusively to
  - a law of nature
  - a physical phenomenon, or
  - an abstract idea, and it
- provides any useful result,[12] for example if it does any of the following:

[12] Section 101 includes the phrase "new and useful." IPLAC does not suggest that the novelty requirements of Section 102 should be imported into Section 101. Rather, "new" is statutory language, and IPLAC does not seek to delete it from Section 101.

- transforms an article to a different state or thing;[13] or
- involves a machine.[14]

The Court should interpret the patent statute to serve the purpose voiced by Thomas Jefferson and others, to give liberal encouragement to innovation.

VI. The Court Should Encourage Further Federal Circuit Development of This Jurisprudence

IPLAC looks forward to Supreme Court guidance on what constitutes statutory subject matter. IPLAC submits that the Federal Circuit drew an incorrect conclusion from this Court's precedents and erred when it discarded its own jurisprudence, thinking that this Court requires a "machine-or-transformation." We urge the Court to clarify that it imposes no such rigid framework and to remand the case to the Federal Circuit for further development of applicable jurisprudence.

Prior to its *Bilski* decision, the Federal Circuit's jurisprudence generally comported with this Court's

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[13] Various members of IPLAC also urge that the transformation of electronic (or electromagnetic) signals should qualify a process as statutory subject matter.

[14] Both general and specific purpose computers are now ubiquitous machines. An invention that improves a machine ought to be statutory. The improvement could be to its efficiency, functionality, suitability, or otherwise.

holdings. For example, *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (*en banc*) involved an invention that made a smooth waveform in a digital oscilloscope test instrument (a machine) in presenting visual images of inputted electrical signals. The court had to determine whether the invention was statutory, and it applied a "useful, concrete, and tangible result" test consistent with this Court's precedents:

> The plain and unambiguous meaning of § 101 is that any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may be patented if it meets the requirements for patentability set forth in Title 35, such as those found in §§ 102, 103, and 112. The use of the expansive term "any" in § 101 represents Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101 and the other parts of Title 35. Indeed, the Supreme Court has acknowledged that Congress intended § 101 to extend to "anything under the sun that is made by man." *Diamond v. Chakrabarty,* 447 U.S. 303, 309, 100 S.Ct. 2204, 2208, 65 L.Ed.2d 144 (1980), *quoting* S.Rep. No. 1979, 82nd Cong., 2nd Sess., 5 (1952); H.R.Rep. No. 1923, 82nd Cong., 2nd Sess., 6 (1952). Thus, it is improper to read into § 101 limitations as to the subject matter that may be patented where the legislative history does not indicate that Congress clearly intended such limitations. *See Chakrabarty,* 447 U.S. at 308, 100 S.Ct.

> at 2207 ("We have also cautioned that courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed.' "), *quoting United States v. Dubilier Condenser Corp.,* 289 U.S. 178, 199, 53 S.Ct. 554, 561, 77 L.Ed. 1114 (1933).

Id. at 1542. Continuing as to the merits of the invention under consideration, the court explained, "This is not a disembodied mathematical concept which may be characterized as an 'abstract idea,' but rather a specific machine [used] to produce a useful, concrete, and tangible result." *Id.* at 1544.

In *State Street Bank & Trust Co. v. Signature Financial Group, Inc.,* 149 F.3d 1368 (Fed. Cir. 1998), the Federal Circuit dealt with a business invention practiced with a computer and dealing with mutual funds. It declared:

> Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces "a useful, concrete and tangible result" – a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.

Id. at 1373.

Thus, the Federal Circuit has now, in the case below, discarded its "useful, concrete, and tangible result" test.

VII. The Present Patent Application Claims

IPLAC takes no position on the merits, and it recognizes that arguments fall on both sides as to whether Bilski's specific claims define patent-eligible subject matter.[15] On the one hand, the claims do appear to present a beneficial, useful process. Utility companies are enabled by this process to obtain raw materials at predictable costs. It is hard to deny the desirability and usefulness of fiscal improvements, particularly in today's economy. In this case, assets of one type are transformed into another type (money is transformed into commodities at controllable or knowable rates). On the other hand, the result is chiefly economic in nature.

Whether subject matter passes muster under Section 101 is of course just the beginning of determining patentability. The claims must also meet the requirements of Sections 102, 103, and 112. Some may argue that Bilski's invention of using hedging in this particular application fails under the non-obviousness test of Section 103. However, because the

[15] Some members of IPLAC believe these specific claims are not eligible, and other members believe that no business methods ought to be eligible. Still other members believe that business methods should be patent-eligible.

Federal Circuit expressed no opinion on this point, it is most appropriate for this Court not to rule in the first instance but instead to remand the case for a determination of all remaining issues, including obviousness.

CONCLUSION

This Court should remand the case to the Federal Circuit with instructions to consider the claims at issue under a revised articulation of the applicable law in which "machine-or-transformation" is not the only measure of whether process inventions are statutory subject matter.

Respectfully submitted,

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