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* JOHN SUTTON IN SUPPORT OF PETITIONERS

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QUESTION PRESENTED

Is a business method, such as the method of hedging risk in the Bilski patent application, an unpatentable commercial transaction, or is it a patentable process resulting from the work of an artisan?

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INTRODUCTION

John P. Sutton respectfully submits this amicus brief in support of Petitioners effort to vacate the Federal Circuit judgment, but also to present the proposition that Petitioners' commodity trading is not a "useful art" to be promoted by the grant of a patent as contemplated by the Constitution (Art. 1, Sect. 8, Cl. 8).

INTEREST OF THE *AMICUS CURIAE* [1]

John P. Sutton is a retired patent lawyer, having been a patent examiner, a law clerk at the United States Court of Customs and Patent Appeals, a preparer of patent applications, and a patent trial lawyer during the last half century. His sole interest is in the clarity and consistency of patent law.

SUMMARY OF ARGUMENT

The Bilski method is nothing more than commodity trading in an exchange, part of commerce, as carried out for millennia. It is not the work of an artisan having special knowledge and skill and deserving of a reward for promoting the progress of the useful arts. Congress may enact patent laws to secure rights to inventors under the Constitution. Congress may also "regulate commerce with foreign nations, and among the several states, and with the Indian tribes" under Art. 1, Sect 2, Cl. 2. Commercial transactions have never been considered inventions, "which may include anything under the sun that is made by man"

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[1] Consistent with Rule 37.6, this brief is not authored in whole or in part by contribution to the preparation or submission of this brief. Petitioner has consented to all briefs *amicus curiae*.

(Testimony of Federico, hearings on H.R. 3760, 82d Cong. 1st Sess., 37 (1951), quoted in *Diamond v. Chakrabarty*, 447 U.S. 303, 309, n. 6 (1980). Rather, the cycle up and down of markets for commodities is not the work of artisans promoting the useful arts.

Processes do work. "Art" is the work of an artisan. The work is not confined to the operation of a machine or chemical transformation to a different state or thing. Processes may be the application of a law or principle of nature, but the law or principle is not itself patentable subject matter.

The Court's precedents show that processes are not confined to the narrow examples held to be the "definitive test" by the Court of Appeals. The Court of Appeals has also ignored its own controlling precedent on what constitutes a patentable process.

ARGUMENT

Petitioners, inventors of a "method of managing" risk were denied a patent on their process having three steps: (1) initiating transactions between a commodity provider (a middleman) and a consumer (buyer) of the commodity at a fixed rate based on historical averages; (2) identifying other market participants (sellers) having "a counter-risk position to said consumers" and (3) initiating transactions between the commodity provider (middleman) and "market participants" (sellers) at a second fixed rate in order to "balance the risk" for buyers and sellers. It works this way: one or more middlemen (presumably those authorized to use the process) hedges the risk of price fluctuation for both buyers and sellers by buying the commodity at a price the seller can live with and selling the commodity to a buyer at a price the buyer can live with. The middleman (or middlemen) can profit if the buyer pays more than the seller demands.

Commodity trading has been carried on around the world throughout recorded history. The steps claimed by Petitioners of initiating transactions with consumers of a commodity, identifying sellers of the commodity, and initiating transactions with sellers is not the work of an artisan. According to the Oxford English Dictionary, "art" is a noun derived from Middle English meaning skill as the result of knowledge and practice, specifically, technical or professional skill in humans, as opposed to nature. There is no evidence that commodity trading is a "useful art." Trading has existed since biblical times, seeking to buy low and sell high. Such commerce preceded patents for inventions by millennia, not merely by centuries.

The United States is the only country of the world providing for patent law in the Constitution to encourage the exertions of artisans that resulted in useful arts. The patent clause of the Constitution (Art. 1, Sect. 8, Cl. 8) does not use the word "reward," but this Court made it pellucid that reward was the intent of the patent clause. *Grant v. Raymond,* 6 Pet. (31 U.S.) 218, 242 (1832) states: a patent "is the reward stipulated for the advantages derived by the public for the exertions of the individual, and is intended as a stimulus to those exertions." There must be a contribution by the individual that provides advantages for the public that are worthy of reward.

Manipulating commercial transactions in a marketplace does not provide "advantages derived by the public for the exertions of the individual," and Congress did not intend the patent law to stimulate exertions in "managing consumption risk costs of a commodity," as claimed by Petitioners at 7.

Petitioners argue at pages 29-34 that Congress intended a stimulus to the exertions in manipulating commodity transactions when it enacted 35 U.S.C. Section 273(a)(3) of the patent law. That amendment deals with defenses to patent infringement claims, not with the creation of a reward for exertions that promote progress of the useful arts, as this Court said in *Grant*.

What Petitioners fail to recognize is that patents are rewards for advantages given to society, not to commodity traders. What is the social benefit of "managing the consumption risk costs of a commodity," as in claim 1 (Petitioner's Brief at 7)? It clearly is not an exertion of an individual; not an advantage to the public; and not deserving of a reward. It is inconceivable that applying the claimed formula (Pet. Br. at 8) in pricing commodities promotes progress of the useful arts contemplated by the patent clause of the Constitution.

The word "exertion" used in *Grant v. Raymond* is defined in the Oxford English Dictionary as "3 The action or an act of exerting oneself (physically or mentally)." Chief Justice Holmes was referring in that case to the inventions of individuals that are to be rewarded. The case did not define patentable subject matter, the issue here. Defining patentable subject matter under 35 U.S.C. §101 was the issue in *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 131 (1948), decided more than a century after *Grant*. This Court repeated, as it had previously held, that natural products are not patentable. An invention that is "no more than the discovery of some of the handiwork of nature . . . is not patentable."

The word "handiwork" was used metaphorically there, since nature does not do work by hand. *Funk Bros.* held that selecting "mutually non-inhibitive strains of different species of bacteria of the genus Rhizobium" (claim 4 at 333 U.S. 128, n. 1) is not patentable subject matter. Each of the species of bacteria "infects the same group of leguminous plants which it always infected. No species acquires a different use. The combination of species produces no new bacteria, no change in the six species of bacteria, and no enlargement of the range of their utility. Each species has the same effect it always had. The species perform in their natural way. Their use in combination does not improve in any way their natural functioning. They serve the ends nature originally provided and act quite independently of any effort of the patentee."

The OED defines the word "handiwork" as "2 Work done by hands or by direct personal agency." The word "work" is more apt than "handiwork" in describing patentable subject matter under §101. The OED devotes more than two columns to defining the noun "work" and over three columns defining the verb "work." Relevant here is the noun definition "3 Purposive action involving effort or exertion [Chief Justice Holmes' word in *Grant*], *esp*. as a means of making one's living; (one's) regular occupation or employment. Also, labour, toil; *spec*. (*a*) the operation of making or repairing something, (in *pl*.) architectural or engineering operations."

This definition not only comports with the "exertions" of the artisan in *Grant v. Raymond*, but also distinguishes the artisan's labor from natural work, which is not patentable subject matter according to *Funk Bros.* Managing risk is not the work of a skilled artisan. Patentable subject matter must be compared to the work of persons "having ordinary skill in the art to which said subject matter pertains" (35 U.S.C. §103(a)). Not only that, a patent must describe the invention "in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same" (35 U.S.C. §112, ¶1). It follows that patentable subject matter relates to the skills of artisans, not commodity traders. What is the art "with which [the invention of a method for managing the consumption risk costs of a commodity] most nearly pertains"? Indeed, is "managing the consumption risk costs of a commodity" an art? Amicus submits that it is not the work of a skilled artisan.

The OED definitions of the verb "work" are also instructive. In particular, Definition 3 is "Produce (as) by labour or exertion [that *Grant* word again], make, construct; now usu. *spec.*, make or form (an ornamental object, design, etc.) artistically or skillfully," which combines "exertion" and the skill of the artisan in a manner that is consistent with the patent statute. Managing consumption risk costs of a commodity is not the work of a skilled artisan, nor is it something "under the sun that is made by man" (*Chakrabarty* at 309). "Managing" is not making anything.

The Court of Appeals continues to apply rigid, inflexible rules to patent law, as properly noted by Petitioners. Its judgment must be vacated. However, Congress, in defining defenses to patent infringement claims in Section 273(a)(3), did not amend (or purport to amend), Section 101 to allow patents for commercial transactions like commodity trading. There is a serious question whether Congress has the power to regulate commodity trading outside of commerce among the states, with foreign countries, or with Indian tribes. Congress unquestionably did not find that "managing consumption risk costs of a commodity" promotes the useful arts for the benefit of society.

CONCLUSION

The judgment of the Court of Appeals should be vacated, and the case remanded to determine whether the claimed method is a process deserving of a reward for promoting progress of the useful arts, within the meaning of this Court's precedents.

Respectfully submitted,

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