

No. 08-964

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IN THE  
**Supreme Court of the United States**

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

v.

DAVID J. KAPPOS, SECRETARY OF COMMERCE FOR  
INTELLECTUAL PROPERTY AND DIRECTOR, UNITED  
STATES PATENT AND TRADEMARK OFFICE,  
*Respondent.*

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

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**BRIEF OF *AMICUS CURIAE*  
WILLIAM MITCHELL COLLEGE OF LAW  
INTELLECTUAL PROPERTY INSTITUTE  
IN SUPPORT OF RESPONDENT**

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**INTEREST OF *AMICUS CURIAE*<sup>1</sup>**

The Intellectual Property Institute is an entity within William Mitchell College of Law. The mission of the Institute is to foster and protect innovation through education, research, and service initiatives. Among its activities, the Institute advocates for the responsible development and reform of intellectual property law, including patent laws and the patent system of the United States. A purpose of the Institute is to raise issues and arguments in light of the public interest and the best interests of the patent system as a whole. The Institute has no financial interest in any of the parties to the current action.

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<sup>1</sup>Pursuant to Supreme Court Rule 37.6, 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* or its counsel made a monetary contribution to its preparation or submission. Additionally, counsel for both parties have consented to the filing of this brief, and their consents have been filed with the Clerk of this Court.



## SUMMARY OF ARGUMENT

Bilski's application defines his invention very simply, as a financial method in which all the steps have the same character. In particular, he has claimed his method as divorced from any machine or apparatus. As a result, this Court should limit its consideration in this case to whether such financial methods are patentable subject matter, under section 101 of the patent statute.<sup>2</sup> This Court should decline the invitation, from various *amici*, to address the patentability of inventions that are claimed as a mixture of both statutory and non-statutory elements.

The proper definition of statutory subject matter under United States patent law cannot be obtained by parsing the exact language of section 101. Instead, the correct approach is to look to the policies that underlie Congress's decision to make inventions patentable.

A long line of cases from this Court, stretching back into the 19<sup>th</sup> Century, demonstrate that the patent system is designed to foster the development of applied technology. Therefore, to be consistent with this long-held view, patenting should properly extend to subject matter that is both an artificial creation, and which utilizes a law of nature. Adopting this view would render untraditional types of inventions, such as Bilski's claimed invention, unpatentable, but would

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<sup>2</sup>35 U.S.C. § 101.

leave most of the traditional law relating to the statutory subject-matter requirement intact. It would also modernize the law relating the patentability of processes, overturning *Cochrane v. Deener*.<sup>3</sup>

## ARGUMENT

### **I. This Court Should Not Address Inventions Claimed as a Mixture of Statutory and Non-Statutory Elements**

1. The facts of Bilski's appeal are relatively simple. Bilski's application claims his invention as a method of managing the business risks associated with the sale of interests in a commodity.<sup>4</sup> The claims describe his invention entirely as steps of a financial method, divorced from any apparatus. They do not tie the method to any particular physical implementation, nor are they couched in terms of a physical structure through which the method can be performed.<sup>5</sup>

2. This is important because, conceptually, developing a system of rules for processing claimed inventions under the patent statute's subject-matter requirement involves deciding two questions in

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<sup>3</sup>*Cochrane v. Deener*, 94 U.S. 780 (1876).

<sup>4</sup>Pet. App. 2a-3a. See J.A. 10-23 (U.S. Patent Application No. 08/833,892).

<sup>5</sup>See *id.*

succession. The first question is: which fields of activity are to be considered statutory, and thus impacted by the patent incentive? Once the invention has been categorized into a particular field, it allows the particular invention to be judged as statutory or not.

The second question is: how is a particular claimed invention assigned to these fields? This is trivial when the claimed invention's individual elements are all of one character, either statutory or not. An invention that consists entirely of statutory elements is undoubtedly statutory.<sup>6</sup> An invention that consists entirely of non-statutory elements is undoubtedly non-statutory.<sup>7</sup>

Unlike *Bilski's* application, where the inventor has chosen to claim the invention as a combination of both statutory and non-statutory elements, the task of placing the particular invention into a field of activity is very complex. The question is conceptually intricate and raises concerns that go well beyond simply characterizing an entire field of activity as either statutory or not.<sup>8</sup> As a broad analogy, the

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<sup>6</sup>See, e.g., *Gottschalk v. Benson*, 409 U.S. 63 (1972).

<sup>7</sup>See, e.g., *Diamond v. Chakrabarty*, 447 U.S. 303 (1980); *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.*, 534 U.S. 124 (2001).

<sup>8</sup>See Letter from Alison Brimelow, European Patent Office President, to Peter Messerli, Chairman of the Enlarged Board of Appeal of the European Patent Office (Oct. 22, 2008), *available at*

question is similar to dealing with classifying mixed-character items into other binary schemes, such as law versus fact.<sup>9</sup>

3. The cases that address whether an invention is statutory subject matter can therefore be separated into two groups: those whose facts present only the first question and those that require addressing the second. Recent examples of decisions in the first group are *Gottschalk v. Benson*,<sup>10</sup> *Diamond v.*

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[http://documents.epo.org/projects/babylon/eponet.nsf/0/B89D95B B305AAA8DC12574EC002C7CF6/\\$File/G3-08\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/B89D95B B305AAA8DC12574EC002C7CF6/$File/G3-08_en.pdf) (referring four questions involving mixed-character inventions to Enlarged Board of Appeal of the European Patent Office).

*See also, e.g.,* Jurgen Betten, *Emerging Issue: Patentability of Software in Europe: The German Perspective (Part 1)*, 13 *Computer Lawyer* 1 (1996); European Patent Office, Examination Guidelines, ch. IV, 2 (et seq.) (May 2005) (technical character vs. technical effect).

*Compare, e.g.,* 2 R. Carl Moy, *Walker on Patents* § 5:80 (4<sup>th</sup> ed. 2008).

<sup>9</sup>*See, e.g.,* *Dobson v. Commissioner of Internal Revenue*, 320 U.S. 489, 500-01 (1943); *Pullman-Standard v. Swint*, 456 U.S. 273, 290 n.19 (1982) (applying nomenclature of “mixed question of law and fact”); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

*See also* Weiner, *The Civil Jury Trial and the Law-Fact Distinction*, 54 *Calif. L. Rev.* 1867 (1966).

*See generally* 2 R. Carl Moy, *Walker on Patents* §§ 5:42 *et seq.* (4<sup>th</sup> ed. 2008).

<sup>10</sup>*Gottschalk v. Benson*, 409 U.S. 63 (1972) (statutory status of numerical method; claimed invention non-statutory).

*Chakrabarty*,<sup>11</sup> and *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.*<sup>12</sup> Recent decisions of this Court in the second group include *Parker v. Flook*,<sup>13</sup> *Diamond v. Diehr*,<sup>14</sup> and *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*<sup>15</sup>

4. This analysis is noteworthy because *Bilski*'s appeal falls squarely within the first category. Every

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<sup>11</sup>*Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (statutory status micro-organism; claimed invention statutory).

<sup>12</sup>*J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.*, 534 U.S. 124 (2001) (statutory status of sexually reproduced plant; claimed invention statutory).

<sup>13</sup>*Parker v. Flook*, 437 U.S. 584 (1978) (statutory status of invention claimed as combination of physical and mathematical steps).

<sup>14</sup>*Diamond v. Diehr*, 450 U.S. 175 (1981) (statutory status of invention claimed as combination of physical and mathematical steps).

<sup>15</sup>*Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*, 548 U.S. 124 (2006).

See also, e.g., *In re Comiskey*, 554 F.3d 967 (Fed. Cir. 2009) (statutory status of machine performing steps of arbitration system); *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (statutory status of physical apparatus performing mathematical calculation); *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995) (statutory status of invention claimed as combination of physical structure and printed matter); *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed Cir. 1998) (statutory status of invention claimed as physical apparatus performing financial calculation).

claimed element in Bilski's patent is a step in a method of calculating and managing financial risk. Deciding his case requires only the determination of whether such financial methods are statutory or not. The better view, as explained later in this brief, is that these financial methods are not statutory and, as a result, Bilski's claimed invention is non-statutory. Even if this Court decides otherwise, there would be no need to address the categorization of mixed-character inventions.

Well-accepted principles of judicial restraint call for this Court to address only the question of what fields of activity should be considered statutory, and not the further question of how to treat inventions whose statutory character is mixed.<sup>16</sup> Specifically, this Court should decline the suggestions by some *amici* that is be drawn into these further discussions.<sup>17</sup> Instead, these discussions should be left

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<sup>16</sup>*See, e.g., Morse v. Frederick*, 551 U.S. 393, 431 (2007) (Alito, J., concurring) (quoting *PDK Labs., Inc. v. Drug Enforcement Admin.*, 362 F.3d 786, 799 (D.C. Cir. 2004) (Roberts, J., concurring in part and concurring in judgment)); *Church of Scientology of Calif. v. U.S.*, 506 U.S. 9, 12 (1992) (quoting *Mills v. Green*, 159 U.S. 651, 653 (1895)); *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) (cited with approval in *DeFunis v. Odegaard*, 416 U.S. 312, 316 (1974)); *Carducci v. Regan*, 714 F.2d 171, 177 (D.C. Cir. 1983) (Scalia, J.).  
*See also, e.g., Stevens, Some Thoughts on Judicial Restraint*, 66 *Judicature* 177, 183 (1982)

<sup>17</sup>*See, e.g.,* Brief of Caris Diagnostics, Inc., *Amicus Curiae* in Support of Petitioners, at 18; Brief of Entrepreneurial Software Companies, *Amicus Curiae* in Support of Petitioner, at 19; Caris

to future cases in which the question of categorizing inventions of a mixed character is actually present.

## **II. Statutory Subject Matter Should Extend Only to Applications of Technology**

### **A. Statutory subject matter cannot be defined by parsing the exact language of section 101.**

1. The legal definition of statutory subject matter cannot be understood by parsing the individual words of the patent statute's section 101.<sup>18</sup> Instead, the current language, which refers to any "process, machine, manufacture, or composition of matter," primarily reflects Congress's decision to continue language that was already long-standing when the

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Diagnosics, Inc., *Amicus Curiae* in Support of Petitioners, at 18; Brief of Fédération Internationale Des Conseils En Propriété Industrielle as *Amicus Curiae* in Support of Neither Party, at 12; Caris Diagnostics, Inc., *Amicus Curiae* in Support of Petitioners, at 18; Brief of Intellectual Property Owner's Association as *Amicus Curiae* in Support of Neither Party, at 19; Brief of Monogram Biosciences *et al.*, *Amicus Curiae* in Support of Neither Party at 31; Caris Diagnostics, Inc., *Amicus Curiae* in Support of Petitioners, at 18; Brief of Professor Lee A. Hollaar and IEEE-USA as *Amicus Curiae* in Support of Affirmance, at 32.

<sup>18</sup>35 U.S.C. § 101.

patent statute was codified in 1952.<sup>19</sup> The immediately preceding provision, section 4886 of the Revised Statutes, employed the same language, with the exception that “process” had not yet replaced the earlier term “art.”<sup>20</sup> The language in section 4886 repeated verbatim the wording of section 24 of the Patent Act of 1870,<sup>21</sup> which itself repeated verbatim the language of section 6 of the Patent Act of 1836.<sup>22</sup>

It is quite clear that in re-enacting this language in 1952, Congress did not intend to supply a free-standing definition of statutory subject matter that could be understood simply from reading the statutory text. By 1952 the language had been interpreted through many judicial decisions, including many decisions of this Court.<sup>23</sup> By re-enacting the statutory language that already existed, Congress plainly signaled its intent to carry forward the body of case law interpretations that were already in place.

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<sup>19</sup>See Patent Act of 1952, Pub. L. No. 82-593, ch. 950, 82<sup>nd</sup> Cong., 2<sup>nd</sup> Sess., 66 Stat. 792 (July 19, 1952).

<sup>20</sup>Rev. Stat. § 4886.

<sup>21</sup>See section 24, Patent Act of 1870, 16 Stat. 198 (1870).

<sup>22</sup>See section 6, Patent Act of 1836, 5 Stat. 117 (1836).

<sup>23</sup>See, e.g., *Le Roy v. Tatham*, 55 U.S. 156 (1852); *O'Reilly v. Morse*, 56 U.S. 62, 130 (1853); *Corning v. Burden*, 56 U.S. 252 (1853); *Burr v. Duryee*, 68 U.S. 531 (1863); *Tilghman v. Mitchell*, 86 U.S. 287 (1873); *Cochrane v. Deener*, 94 U.S. 780 (1876); *Tilghman v. Proctor*, 102 U.S. 707 (1880); *Dolbear v. American Bell Tel. Co.*, 126 U.S. 1, 553 (1888).



Indeed, the legislative history confirms that the one relevant change Congress did make – substituting “process” for “art” – was intended to make the statutory language conform to the existing case law precedents even more closely.<sup>24</sup>

2. Leading commentators have asserted that the resulting statutory language does not supply separate and discrete categories, but instead reflects an attempt to capture the concept of statutory subject matter generally. Pasquale Federico, the main author of the 1952 statute, asserted that while “[t]he four terms used . . . are often referred to as the four statutory categories of subject matter,” “[m]y own view is to regard them collectively as somewhat overlapping expressions . . . .”<sup>25</sup> Glascock and Stringham, commenting on section 4886 of the

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<sup>24</sup>See S. Rep. No. 1979, 82<sup>nd</sup> Cong., 2<sup>nd</sup> Sess., 5 (1952); H. R. Rep. No. 1923, 82<sup>nd</sup> Cong., 2<sup>nd</sup> Sess., 6 (1952), U.S. Code Cong. & Admin. News 1952, pp. 2394, 2399.

See also *Diamond v. Diehr*, 450 U.S. 175, 182, 184 (1981) (“Although the term ‘process’ was not added to 35 U.S.C. § 101 until 1952 a process has historically enjoyed patent protection because it was considered a form of ‘art’ as that term was used in the 1793 Act.” “Analysis of the eligibility of a claim of patent protection for a ‘process’ did not change with the addition of that term to § 101.”).

See generally also Pasquale J. Federico, *Commentary on the New Patent Act*, reprinted in 75 JPTOS 163, 175-78 (Special Issue 1993).

<sup>25</sup>Pasquale J. Federico, *Section 101: Subject Matter for Patents*, in *The Law of Chemical, Metallurgical and Pharmaceutical Patents* 53, 58 (1967).

Revised Statutes, asserted that “[i]n the statute there is no basis for assuming that these represent four separate compartments of invention. Rather does the use of the four terms represent an effort to indicate the general industrial boundary of the single field of patentable invention.”<sup>26</sup>

3. Decisions of this Court since 1952 are in general agreement. They repeatedly recognize various restrictions on the definition of statutory subject matter beyond those that reside in the express language of the statute.<sup>27</sup> As the Supreme Court stated in *Parker v. Flook*, “[t]he plain language of § 101 does not answer the question.”<sup>28</sup> Instead, the Court repeatedly has recognized that statutory subject matter can be absent even where the statutory language is nominally met.<sup>29</sup>

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<sup>26</sup>Eustace Glascock & Emerson Stringham, *Patent Law* 22 (1943) (referencing R.S. § 4886).

<sup>27</sup>See, e.g., *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Diamond v. Diehr*, 450 U.S. 175, 185 (1981) (“This Court has undoubtedly recognized limits to § 101 and every discovery is not embraced within the statutory terms.”).

<sup>28</sup>*Parker v. Flook*, 437 U.S. 584, 589 (1978).

<sup>29</sup>See, e.g., *Parker v. Flook*, 437 U.S. 584, 589 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972).

**B. This Court has consistently viewed the patent system as directed to applications of technology.**

1. Logically, therefore, the test for deciding whether a claimed invention is statutory should be an orderly implementation of the policy objectives that underlie the statutory subject-matter requirement. Indeed, the Supreme Court has long stated the criterion for statutory subject-matter eligibility in such terms. Statements employing this approach appear as early as 1852,<sup>30</sup> and since then have appeared regularly since.<sup>31</sup> Certainly, the proposition that the correct interpretation of section 101 is one that serves the overall function of the patent system is not radical or new by any means.

2. What, then, are the underlying policy objectives of the statutory subject matter requirement in section 101? The current state of thought is that there are potentially three. The first objective can be discarded in connection with section 101 quickly. It has been observed, correctly, that entire fields of technological subject matter can be excluded from patentability to shield society from situations where patent control

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<sup>30</sup>See *Le Roy v. Tatham*, 55 U.S. 156 (1852).

<sup>31</sup>See, e.g., *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498 (1874); *Mackay Radio & Telegraph Co. v. Radio Corporation of America*, 306 U.S. 86 (1939); *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127 (1948); *Gottschalk v. Benson*, 409 U.S. 63 (1972).

would result in social costs that are unacceptably high.<sup>32</sup> While this type of exclusion is commonplace in foreign patent laws, it is generally accepted that essentially no such categorical exclusions exist in the patent laws of the United States, but for a few minor exceptions.<sup>33</sup>

3. Another assertion is that the statutory subject-matter requirement has been used to police instances of extreme overbreadth, *i.e.*, instances where the claim under consideration has used words of such extreme generality as to encompass all means of achieving some beneficial result. The objection has been that the resulting exclusive right would grossly over-compensate the patentee and stifle future research. The early onset of this concern can be seen

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<sup>32</sup>*See, e.g.*, Machlup, Fritz, An Economic Review of the Patent System, Study no. 15 of the Subcommittee on Patents, Trademarks, and Copyright of the Committee of the Judiciary of the United States Senate, 85<sup>th</sup> Cong., 2<sup>nd</sup> Sess., at 8-9, 55 (1958).

<sup>33</sup>*See generally, e.g.*, Pasquale J. Federico, *Section 101: Subject Matter for Patents*, in *The Law of Chemical, Metallurgical and Pharmaceutical Patents* 53–83 (1967).

*Compare, e.g.*, 35 U.S.C. § 287(c) (imposing enforcement restrictions on patents for medical treatments); Article 27, Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, GATT Doc. MTN/FA II-A1C (Dec. 15, 1993), 33 I.L.M. 81 (1994); Articles 52, 53, Convention on the Grant of European Patents (EPC) of October 1973, as amended through 29 November 2000.

in *Le Roy v. Tatham*,<sup>34</sup> and *O'Reilly v. Morse*.<sup>35</sup> It extends to a few decisions of the Supreme Court subsequently.<sup>36</sup>

This second objective is more difficult to reject, but the better view is that it also should not impact the modern test for statutory subject matter. The rule against patenting a beneficial result has been applied only sparingly in modern cases, and attempts to make sense of it are confused and unclear.<sup>37</sup> More importantly, as a conceptual matter the basic questions regarding this type of overbreadth are no different from those that are involved in the analysis of overbreadth in other areas.<sup>38</sup> In particular, they

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<sup>34</sup>*Le Roy v. Tatham*, 55 U.S. 156 (1852) (“A patent is not good for an effect, or the result of a certain process, as that would prohibit all other persons from making the same thing by any means whatsoever. This, by creating monopolies, would discourage arts and manufactures, against the avowed policy of the patent laws.”).

<sup>35</sup>*O'Reilly v. Morse*, 56 U.S. 62 (1853) (invalidating Morse’s eighth claim).

<sup>36</sup>See, e.g., *Tilghman v. Proctor*, 102 U.S. 707 (1880); *Dolbear v. American Bell Tel. Co.*, 126 U.S. 1 (1888).

<sup>37</sup>See, e.g., Albert H. Walker, *Textbook on the Law of Patents* 1-19 (2<sup>nd</sup> ed. 1886); Christopher L. Ogden, *The Patentability of Algorithms After State Street: The Death of the Physicality Requirement*, 83 JPTOS 491 (2001).

<sup>38</sup>See, e.g., Charles E. Bruzga, *A Review of the Benson-Flook-Diehr Trilogy: Can the “Subject Matter” Validity of Patent Claims Reciting Mathematical Formulae Be Determined Under*

involve a comparison of the scope of the exclusive right being sought, with the scope of the teaching that the patentee has supplied.<sup>39</sup> Accordingly, the question of overbreadth addressed in *Leroy v. Tatham* is more logically addressed, in the modern statute, in connection with the law that deals with the adequacy of disclosure under the first paragraph of section 112.<sup>40</sup> It should not be done in connection with section 101.

4. This leaves the third objective, which is rightly viewed as the statutory subject matter requirement's dominant objective. It is accepted doctrine that the statutory subject matter requirement functions to confine the award of patent rights to developments in the technological arts.<sup>41</sup> Confining patentability in this way is critical: it prevents the profit incentive of the patent system – and its underlying diminution of

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35 U.S.C. Section 112?, 69 JPTOS 197 (1987).

<sup>39</sup> Compare, e.g., *In re Fisher*, 427 F.2d 833 (CCPA 1970) (addressing entitlement to generic claim).

See generally, e.g., 2 R. Carl Moy, *Walker on Patents* §§ 7:23 - 7:26 (2008).

<sup>40</sup>35 U.S.C. § 112, par. 1.

<sup>41</sup>See, e.g., *In re Prater*, 415 F.2d 1393, 1403 (CCPA 1969); *In re Musgrave*, 431 F.2d 882, 893 (CCPA 1970) (“All that is necessary, in our view, to make a sequence of operational steps a statutory ‘process’ within 35 U.S.C. § 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of ‘useful arts.’”).

the free market – from distorting activities beyond those that Congress intended to target.<sup>42</sup>

This objective is accomplished by classifying as unpatentable two broad categories of subject matter. First, the law excludes those things that, while created by human activity, do not involve the use of technology.<sup>43</sup> Second, the law also excludes those things that, while technological, are not the product of human intervention into the natural world.<sup>44</sup>

This Court has described the statutory subject matter requirement in these terms, consistently and for many years. As early as 1852, the Court noted that patent rights could not be obtained over natural “agencies,” or “powers,” such as electricity,

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<sup>42</sup>See generally, e.g., Machlup, Fritz, *An Economic Review of the Patent System*, Study no. 15 of the Subcommittee on Patents, Trademarks, and Copyright of the Committee of the Judiciary of the United States Senate, 85<sup>th</sup> Cong., 2<sup>nd</sup> Sess., at 8-9, 55 (1958).

See generally also 2 R. Carl Moy, *Walker on Patents* §§ 5:3 - 5:4 (2008).

<sup>43</sup>See, e.g., *In re Miller*, 418 F.2d 1392 (CCPA 1969) (printed matter); *In re Gulack*, 703 F.2d 1381 (Fed. Cir. 1983) (printed matter); *In re Lowry*, 32 F.3d 1579 (Fed. Cir. 1994); *In re Warmerdam*, 33 F.3d 1354, 1361-62 (Fed. Cir. 1994) (data structure).

<sup>44</sup>See, e.g., *Gottschalk v. Benson*, 409 U.S. 63 (1972); *Diamond v. Diehr*, 450 U.S. 175, 184-85 (1981) (“Excluded from . . . patent protection are laws of nature, natural phenomena, and abstract ideas.”).

themselves. But “[i]n all such cases,” the Court declared, “the processes used to extract, modify, and concentrate natural agencies, constitute the invention. The elements of the power exist; the invention is not in discovering them, but in applying them to useful objects.”<sup>45</sup> The Court has made remarkably similar declarations ever since. “An idea of itself is not patentable, but a new device by which it may be made practically useful is.”<sup>46</sup> “While a scientific truth, or the mathematical expression of it, is not patentable invention, a novel and useful structure created with the aid of knowledge of scientific truth may be.”<sup>47</sup> “He who discovers a hitherto unknown phenomenon of nature has no claim to a monopoly of it which the law recognizes. If there is to be invention from such a discovery, it must come from the application of the law of nature to a new and useful end.”<sup>48</sup> The declarations have continued since the Patent Act of 1952.<sup>49</sup>

5. The Institute urges this Court to adopt, as the direct test for statutory subject matter, this

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<sup>45</sup>*Le Roy v. Tatham*, 55 U.S. 156, 175 (1852).

<sup>46</sup>*Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507 (1874).

<sup>47</sup>*Mackay Radio & Telegraph Co. v. Radio Corporation of America*, 306 U.S. 86 (1939).

<sup>48</sup>*Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127 (1948).

<sup>49</sup>*See, e.g., Gottschalk v. Benson*, 409 U.S. 63 (1972).



formulation that has appeared so consistently in the Court's own decisions. That is, this Court should hold that, to be statutory subject matter, the invention described in the patent must both:

- (i) be an artificial creation; and
- (ii) utilize a law of nature.

Stated bluntly, this test is both simple and logically sound. It conforms admirably to the underlying social objectives. It would ensure that the effect of the patent system remains appropriately targeted.

Perhaps just as important, reliance on the proposed test would leave the statutory status of most subject matter unchanged. Naturally occurring phenomena fail, for example, because they are not artificial creations.<sup>50</sup> Matters of literature, fine arts, mental steps, and collections of data fail because they do not utilize a law of nature.<sup>51</sup> Scientific principles and mathematical equations fail to meet both parts of the test; they do not involve any artificial creation,

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<sup>50</sup>*Compare, e.g., Funk Bros. Seed Co. v. Kalo Co.*, 333 U.S. 127, 130 (1948) (“He who discovers a hitherto unknown phenomenon of nature has no claim to a monopoly of it which the law recognizes. If there is to be invention from such a discovery, it must come from the application of the law of nature to a new and useful end.”).

<sup>51</sup>*See, e.g., Morton C. Jacobs, Note: The Patentability of Printed Matter: Critique and Proposal*, 18 *Geo. Wash. L. Rev.* 475 (1950).

nor do they apply any law of nature.<sup>52</sup> Adopting the rule is therefore a targeted solution; it would leave nearly all of the traditional adjudicated outcomes regarding statutory subject matter in place.

6. Under this test, Bilski's invention is properly categorized as nonstatutory. While his method of handling financial risk is likely artificial, it does not utilize a law of nature. It thus fails under part (ii) of the proposed test, and the USPTO's rejection under section 101 of the patent statute should be affirmed. The same result likely will apply to all methods that are defined simply as financial transactions, or interactions between persons in a business setting.<sup>53</sup> Accordingly, adopting the proposed test for statutory subject matter would have the salutary effect of returning the law relating to the patentability of business methods to its historical position.<sup>54</sup> This

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<sup>52</sup>Compare, e.g., *Parker v. Flook*, 437 U.S. 584, 593 (1978) ("The rule that the discovery of a law of nature cannot be patented rests, not on the notion that natural phenomena are not processes, but rather on the more fundamental understanding that they are not the kind of 'discoveries' that the statute was enacted to protect.").

See also, e.g., *Morton v. New York Eye & Ear Infirmary*, 17 Fed. Cas. 879, 881 (C.C.N.Y. 1862).

<sup>53</sup>See, e.g., *In re Comiskey*, 544 F.3d 967 (Fed. Cir. 2009).

<sup>54</sup>See, e.g., *Ex parte Abraham*, 1869 C.D. 59; *United States Credit System Co. v. American Indemnity Co.*, 53 F. 818 (C.C.S.D.N.Y. 1893); *Hotel Security Checking Co. v. Lorraine Co.*, 160 F. 467, 469 (2<sup>nd</sup> Cir. 1908); *In re Sterling*, 70 F.2d 910 (CCPA 1934); *In re Wait*, 73 F.2d 982 (CCPA 1934); *In re Patton*, 127

would reverse the impact that some portions of the patent community have understood from *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*<sup>55</sup>

7. The proposed test is also superior because it is not unduly restrictive. There is, for example, a competing test that is described as holding processes nonstatutory unless they transform a physical substance into a different state or thing. This competing test stems from an 1876 decision, *Cochrane v. Deener*.<sup>56</sup> The test has been considered influential since it was rendered, and is at least referred to in many subsequent decisions.<sup>57</sup> *Cochrane v. Deener*, however, was itself the endpoint of a series of early cases that dealt with the basic patentability of

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F.2d 324 (CCPA 1942); *Loew's Drive-In Theaters, Inc. v. Park-In Theaters, Inc.*, 174 F.2d 547 (1<sup>st</sup> Cir. 1949); *In re Chatfield*, 545 F.2d 152 (CCPA 1976); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 546 F.Supp. 1358 (D. Del. 1983).

<sup>55</sup>*State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998).

See generally also, e.g., R. Carl Moy, *Subjecting Rembrandt to the Rule of Law: Rule-Based Solutions for Determining the Patentability of Business Methods*, 28 Wm. Mitchell L. Rev. 1047 (2002).

<sup>56</sup>*Cochrane v. Deener*, 94 U.S. 780 (1876).

<sup>57</sup>See, e.g., *New Process Fermentation Company v. Maus*, 122 U.S. 413, 424 (1887); *Ex Expanded Metal Co. v. Bradford*, 214 U.S. 366, 383 (1909); *Holland Furniture Co. v. Perkins Glue Co.*, 277 U.S. 245, 255 (1928); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Diamond v. Diehr*, 450 U.S. 175, 187-88 (1981).

methods.<sup>58</sup> The test that it articulated is best viewed as a rough solution to the questions posed by method inventions that was appropriate to that time. It should not be viewed as an ironclad requirement. This is particularly true since now, over a century later, manufacturing and the manipulation of physical raw materials are a smaller, declining part of the economy overall. Rather, the law should be free to employ a test that expresses the same basic value judgments in a more modern context.<sup>59</sup>

This better view, in fact, is in line with modern precedent. In *Gottschalk v. Benson*, for example, this Court expressly declined to adopt the rigid historical test of *Cochrane v. Deener*: “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.”<sup>60</sup> The Court also expressly reserved the question in

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<sup>58</sup>See, e.g., *Le Roy v. Tatham*, 55 U.S. 156 (1852); *Corning v. Burden*, 56 U.S. 252 (1853); *Tilghman v. Mitchell*, 86 U.S. 287 (1873).

See generally, e.g., 2 R. Carl Moy, *Walker on Patents* §§ 5:28 - 5:29 (2008).

<sup>59</sup>See generally R. Carl Moy, *Subjecting Rembrandt to the Rule of Law: Rule-Based Solutions for Determining the Patentability of Business Methods*, 28 Wm. Mitchell L. Rev. 1047 (2002).

<sup>60</sup>*Gottschalk v. Benson*, 409 U.S. 63, 71 (1972).

*Parker v. Flook*.<sup>61</sup> Thus, it is clear that this Court has the freedom to adopt the better, more basic test for statutory subject matter that the Institute urges.

**C. Limiting statutory subject matter to applied technology is consistent with major foreign patent systems.**

The foregoing view of the statutory subject matter requirement finds support in the patent systems of major foreign countries. While not binding precedent on this Court, the manner in which these systems have answered the same question in this case is instructive.

The Japanese Patent Act limits patentable inventions to “the highly advanced creation of technical ideas utilizing the laws of nature.”<sup>62</sup> Thus, that system has settled on essentially the same view that is being urged here. The Japanese Patent Office has issued further explanation on this point in its Examination Guidelines. According to those Guidelines,

[i]f claimed inventions are any laws as such other

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<sup>61</sup>*Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978) (“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.”).

<sup>62</sup>Japan Patent Law, Law No 121 of 1959, art 2.

than the law of nature (e.g. economic laws), arbitrary arrangements (e.g. a rule for playing a game as such), mathematical methods or mental activities, or utilize only these laws (e.g. methods for doing business as such), these inventions are not considered to be statutory because they do not utilize the law of nature.<sup>63</sup>

The outcomes described in the examination guidelines, and the reasoning by which those results are reached, are remarkably similar to those urged by Respondents in connection with the application of *Bilski*.<sup>64</sup>

The German Patent Act does not define the concept of “invention” directly. Section 1 of that law, however, states that “[p]atents shall be granted for inventions that . . . are susceptible of industrial application.”<sup>65</sup> The German Guidelines for Examination Procedure demonstrate how these statutory concepts apply to business methods. The Guidelines state that patents shall only be granted for inventions that relate to a field of technology. Within

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<sup>63</sup>Japanese Patent Office, Examination Guidelines for Patent and Utility Model in Japan, Pt. II, Ch.1, § 1 (May 2005) (Industrially Applicable Inventions).

<sup>64</sup>*See generally, e.g.,* James S. Sfekas, Comment: *Controlling Business Method Patents: How the Japanese Standard For Patenting Software Could Bring Reasonable Limitations to Business Method Patents In the United States*, 16 Pac. Rim. L. & Pol’y J. 197 (2007).

<sup>65</sup>German Patent Law of 1980, Pt. I, § 1(1).

those inventions, patent protection is available for “systematic teaching using controllable natural forces to achieve a result with clear cause and effect.” They further state that “[t]he ‘direct’ utilization of controllable natural forces is not mandatory for the technical character of a teaching, but the result must be based on controllable natural forces and not on evaluative activity of the human mind.”<sup>66</sup>

Both the German and European Patent Systems explicitly state that business methods are not statutory subject matter.<sup>67</sup>

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<sup>66</sup>German Patent Office, Guidelines for the Examination Procedure, 3.3.3.2.1 (March 2004) (Basic Requirements Pursuant to Sec. 1 to 5 Patent Law).

<sup>67</sup>German Patent Law of 1980, Pt. I, § 1(2); Art. 52(2)(c), Convention on the Grant of European Patents (EPC) of October 1973, as amended by the act revising Article 63 of 17 December 1991, and by decisions of the Administrative Council of the European Patent Organisation of 21 December 1978, 13 December 1994, 20 October 1995, 5 December 1996 and 10 December 1998.

*See generally also, e.g.,* Brian P. Diddinger, *Limiting the Business Method Patent: A Comparison and Proposed Alignment of European, Japanese and United States Patent Law*, 69 *Fordham L. Rev.* 2523 (2001); 1 Singer & Stauder, *The European Patent Convention: A Commentary*, ch. 1, art. 52, comment 16 (3<sup>rd</sup> ed. 2003) (discussing technical content requirement of European Patent Convention).

**CONCLUSION**

For the foregoing reason, the Institute respectfully submits that Bilski's application for patent is unallowable, and that the rejection of that application



by the United States Patent and Trademark Office should be affirmed.

Respectfully submitted,

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