

United States Court of Appeals
for the
Federal Circuit

In Re BERNARD L. BILSKI and RAND A. WARSAW,

Appellants.

APPEAL FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE,
BOARD OF PATENT APPEALS AND INTERFERENCES

**BRIEF FOR *AMICI CURIAE* RESERVE MANAGEMENT
CORPORATION, PCT CAPITAL LLC, REARDEN CAPITAL
CORP. AND SALES OPTIMIZATION GROUP IN SUPPORT
OF MAINTAINING *STATE STREET* AND *AT&T***

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Dated: April 4, 2008

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

IN RE BILSKI

No. 2007-1130

CERTIFICATE OF INTEREST

Counsel for *amici curiae*, Reserve Management Corporation, PCT Capital LLC, Rearden Capital Corp., and Sales Optimization Group, certifies the following:

1. The full names of every party or *amicus* represented by me are:

Reserve Management Corporation
PCT Capital LLC
Rearden Capital Corp.
Sales Optimization Group

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Not applicable

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: None

4. There is no such corporation as listed in paragraph 3. None.

5. The names of all law firms and the partners or associates that appeared for any of the parties or *amici* now represented by me in the trial court or agency or are expected to appear in this Court are:
Anthony F. Lo Cicero, Charles R. Macedo, and Jung S. Hahm of
Amster, Rothstein & Ebenstein LLP.

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Charles R. Macedo

Dated: April 4, 2008

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STATEMENT OF INTEREST OF AMICI CURIAE

The collection of *amici curiae* sponsoring this brief ("*Amici Curiae*") reflects a broad cross-section of interested third parties who are involved with so-called "business method" patents. The various sponsors of this submission reflect financial service institutions, investors in patent applications, advisors to financial service institutions and small inventors. As reflected by the present submission, each of these *Amici Curiae* believe it is important to maintain a strong patent system that allows for all types of innovations which produce a "useful, concrete and tangible result" to remain patent-eligible subject matter.

Amici Curaie are filing this brief pursuant to the Court's Order dated February 15, 2008.

SUMMARY OF ARGUMENT

In 1998, this Court had the forethought and insight to recognize that the revolution in information technology and availability of the Internet would radically change the way that the world does business, and that US patent law would **need** to adapt to this new technological and commercial reality by confirming the availability of patent protection for so-called "business method" patents. First in *State Street*, and then later in *AT&T*, this Court followed the Supreme Court's lead in *Diamond v. Diehr* to recognize that patentable subject matter should be broadly construed to "include anything under the sun that is made by man."

These decisions, which were an inevitable evolution in the patent law based on the binding Supreme Court precedent, fostered a renaissance in patent law. More and more so-called "business method" patents were sought, and the US Patent and Trademark Office ("PTO") started to become overwhelmed. A number of "dubious quality" patents began to issue, and made their way to the Courts. Scrutiny from the press, Congress and the Supreme Court ensued. At its core, the problems caused by these patents were based on their failure to comply with Sections 112, 102 and 103 of the

Patent Act, rather than by any real disputes over whether those patents should be patent-eligible subject matter.

A vocal minority now cries that this Court should throw the baby out with the bath water -- and improperly restrict the scope of patent-eligible subject matter -- because some poor quality business method patents have been issued. This Court should resist that temptation. Patents play an important and useful role to our economy by fostering innovation and adding to the public store house of knowledge. So-called “business method” patents also have, since the founding of our nation, played an important role in our nation’s development and economy. The development of the Internet and a digital economy also makes that role more important.

The restrictions on patent-eligible subject matter urged in the PTO’s submission are not warranted. Specifically, they are overly narrow and inconsistent with the Supreme Court’s long established jurisprudence interpreting Section 101 and its predecessor statutes. This Court should resist temptation to bow to the outspoken minority who would undermine a system that our founding fathers thought was so important that they included it in Article I of the US Constitution, enacted it into one of the earliest public laws of this country at its infancy and have maintained ever

since. *Amici Curiae* respectfully submit that this Court should leave the broad scope of patent-eligible subject matter under 35 USC 101 intact.

ARGUMENT

I. THIS COURT IN *STATE STREET* AND *AT&T* PROPERLY FOLLOWED BINDING SUPREME COURT PRECEDENT IN BROADLY CONSTRUING THE SCOPE OF PATENT-ELIGIBLE SUBJECT MATTER UNDER 35 USC 101

The inquiry into what constitutes patent-eligible subject matter begins with the Patent Act, 35 USC 101, which reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.¹

Both the Supreme Court and this Court have construed Section 101 broadly, noting that when it was adopted as part of the Patent Act of 1952,

¹ This simple, straightforward, broadly worded language can be traced all the way back to the Patent Act of 1793, adopted shortly after our Nation was first formed. See Act of Feb. 21, 1793, ch.11, §1, 1 Stat. 318 (“any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement [thereof]”). It is worth noting that our founding fathers viewed patent protection as so fundamental to the success of fostering innovation in our nation that Congressional authority to issue patent laws was included in Article I, Section 8, Clause 8 of the main text of the US Constitution. To further emphasize the point, one of the earliest laws adopted was the first Patent Act of 1790. Thomas Jefferson himself served as the first patent commissioner. See generally *Graham v. John Deere Co.*, 383 US 1, 5-10 (1966).

Congress intended statutory subject matter to “include anything under the sun that is made by man.” See, e.g., *Diamond v. Chakrabarty*, 447 US 303, 308-09 (1980) (quoting S. Rep. No. 82-1979, at 5 (1952); H.R. Rep. No. 82-1923, at 6 (1952)); *Diamond v. Diehr*, 450 US 175, 182 (1981); *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998); *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1355 (Fed. Cir. 1999).

The Supreme Court and this Court have both recognized that the use of the term “any” demonstrates the broad breadth that statutory subject matter is intended to cover. *Chakrabarty*, 447 US at 308-09; *AT&T*, 172 F.3d at 1373; see also *J.E.M. AG Supply v. Pioneer Hi-Bred Int’l.*, 534 US 124, 130 (2001) (“As this Court recognized over 20 years ago in *Chakrabarty*, 447 U.S. at 308, the language of § 101 is extremely broad.”). Indeed, the Supreme Court and this Court have made clear “that courts ‘should not read into the patent laws limitations and conditions which the legislature has not expressed.’” *Chakrabarty*, 447 US at 308; see also *Diehr*, 450 US at 182; *State Street*, 149 F.3d at 1373 (“Thus, it is improper to read limitations into §101 on the subject matter that may be patented where the legislative

history indicates that Congress clearly did not intend such limitations.”).²

Thus, with but three exceptions, the Supreme Court and this Court recognize that when an invention falls within at least one of the four enumerated categories of patentable subject matter -- “process,” “machine,” “manufacture,” or “composition of matter”-- such invention is patent-eligible subject matter, and must be considered under the other provisions of the patent law, e.g., 35 USC 102, 103, 112, etc. *See Diehr*, 450 US at 185; *State Street*, 149 F.3d at 1372.

The **only** three exceptions are “laws of nature, natural phenomena, and abstract ideas”. *Diehr*, 450 US at 185 (“Excluded from such patent protection are laws of nature, natural phenomena, and abstract ideas.”);³

² In this regard, Senator Specter has already cautioned other branches of Government against impinging upon Congressional authority to regulate the appropriate scope of patent-eligible subject matter. *See, e.g.*, February 1, 2006 Letter from Arlen Specter, to Hon. Henry Paulson, Secretary of Treasury (“Specter Letter”) (available at <http://www.regulations.gov/fdmspublic/component/main?main=DocketDetail&d=IRS-2007-0112>) (cautioning IRS against taking steps to regulate “tax strategy” patents because “the proposed regulations have been developed without consideration given to steps Congress is taking to address the issue.”).

³ Although some might suggest that the Supreme Court’s earlier decisions in *Parker v. Flook*, 437 US 584 (1978) and *Gottschalk v. Benson*, 409 US 63 (1972), lend credence for this Court to hold for additional exceptions, the Supreme Court squarely rejected such a contention in *Diehr*: “Our recent

Chakrabarty, 447 US at 309; *AT&T*, 172 F.3d at 1355. Any attempt by the PTO or other *amici* to urge new and different exceptions are unwarranted and should be resisted by this Court. (*Cf.* PTO Supp. Br. at 10 & 26).

In *Diehr*, the Supreme Court recognized the distinction between an invention “of some practical method or means of producing a beneficial result or effect,” which is patent-eligible subject matter, and “the result or effect itself,” which is not patent-eligible subject matter. *See Diehr*, 450 US at 184 n. 7 (quoting *Corning v. Burden*, 56 US (15 How.) 252, 267-68 (1854)).

The Supreme Court in *Diehr* concluded its analysis by confirming that, although a claim to a mathematical formula in the abstract is not patent-eligible subject matter since it is merely an “abstract idea,” by contrast a claim containing a mathematical formula could be patent-eligible subject matter as follows:

On the other hand, when a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to

holdings in *Gottschalk v. Benson*, *supra*, and *Parker v. Flook*, *supra*, both of which are computer-related, stand for no more than these long-established principles.” *Diehr*, 450 US at 185-86.

protect (e.g., transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of §101.

Diehr, 450 US at 192 (emphasis added). Significantly, as this Court recognized in *AT&T*, “[t]he ‘e.g.’ signal denotes an example, not an exclusive requirement.” 172 F.3d at 1358-59. This list was not intended to be exhaustive, as even the PTO recognizes in its submission (PTO Supp. Br. at 8, 25), and the Supreme Court confirmed in its precedent. *See Benson*, 409 US at 71 (quoted in PTO Supp. Br. at 8); *Diehr*, 450 US at 192; *see also AT&T*, 172 F.3d at 1358-59. *But cf.* PTO Supp. Br. at 3.

This Court’s concern over whether a process falls within one of the three enumerated exceptions to patent-eligible subject matter, *i.e.*, “laws of nature, natural phenomena, and abstract ideas” (*see Diehr*, 450 US at 185), was addressed by the Supreme Court in *Diehr*, when it recognized, relying on hoary law, that a patent-eligible process should be any “act or series of acts” that produces “a beneficial result or effect”, as defined by the Supreme Court in *Diehr*, 450 US at 183-84 n.7 (quoting *Cochrane v. Deener*, 94 US 780, 787-788 (1877) and *Corning*, 56 US at 267-68). This Court further clarified this standard in a series of post-*Diehr* cases, starting with *Alappat*, by requiring that in order for a process to be patent-eligible, it must produce

any “useful, concrete and tangible result.” *State Street*, 149 F.3d at 1373 (quoting *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994)); see also *AT&T*, 172 F.3d at 1357.

By requiring that the “beneficial result” be “useful” (as provided in 35 USC 101), “concrete” (so as to avoid being merely an “abstract” idea) and “tangible” (to address concerns over being merely an “abstract” idea), this Court elegantly encapsulated over a century of Supreme Court jurisprudence on what type of “process” constitutes patent-eligible subject matter which addresses each of the concerns raised by the PTO.⁴

⁴ The dissenting Justices in *Lab. Corp. of Am. Holdings v Metabolite Labs.*, 126 S.Ct. 2921, 2928 (2006) (Breyer, J., dissenting) suggested the “useful, concrete and tangible result” test was somehow contrary to Supreme Court precedent: “this Court has never made such a statement and, if taken literally, the statement would cover instances where this Court has held the contrary.” (citing *Flook* and *Benson* as examples). (See PTO Supp. Br. at 7). However, *Diehr*, the latest binding pronouncement of the Supreme Court on this subject, recognized that the Supreme Court has long recognized that patent-eligible subject matter includes “one or more processes ... to produce a certain result or manufacture” and that “[i]t is for the discovery or invention of some practical method or means of producing a beneficial result or effect, that a patent is granted.” 450 US at 184 n.7 (quoting *Corning*, 56 US at 267-68). *Diehr* also warned against overreading *Benson* and *Flook*, and that they should not be read to stand for more than these long-established principles. *Diehr*, 450 US at 185.

Amici Curiae respectfully submit that this Court's decisions in *State Street* and *AT&T* fully encapsulate the appropriate scope of patent-eligible processes, and should not be reversed or modified by this Court. Proposals to deviate from these decisions should be swiftly and forcefully rejected.

II. BUSINESS METHOD PATENTS ARE AN IMPORTANT AND VALUABLE PART OF OUR ECONOMY AND SERVE A VALUABLE PURPOSE TO PROMOTE THE PROGRESS OF SCIENCE AND THE USEFUL ARTS

As this Court well understands, patents play an important role in this country's efforts to promote the progress of the useful Arts and stimulate innovation. Congressional authority to issue patent laws stems from Section 8 of Article I of the US Constitution which provides:

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;

It is generally understood that a patent system can promote "progress" of the "useful Arts" in a variety of ways. First, it can promote progress by rewarding innovation with patent rights.⁵ But this is not the only way

⁵ See, e.g., *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 US 722, 730-31 (2002) ("The patent laws 'promote the Progress of Science and useful Arts' by rewarding innovation with a temporary monopoly." (quoting US Const., Art. I, § 8, cl. 8)); *Chakrabarty*, 447 US at 307 ("The Constitution grants Congress broad power to legislate to 'promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the

patent systems “promote progress”. Public disclosure is an important manner in which patents “promote progress.”⁶

Judge Rich almost half a century ago, shortly after the 1952 Patent Act was passed, presented a series of lectures on the then-new Act, which provides useful insight into the varying purposes of the Patent Act. Particularly relevant to the issues raised by software patents and business-related inventions is the point Judge Rich made with respect to the role our patent laws serve regarding “incremental inventions” and “becom[ing] part of the technical literature”:

In the remote corners of the most crowded arts, progress is made by the proliferation of ideas, different and unobvious ways of doing the same thing, so that the reservoir of inventions fills up. It should never be forgotten that *patented* inventions are published and become a part of the technical literature. ***This publication itself promotes progress in the useful arts and it is the prospect of patent rights which induces the disclosure and the issuance of the patent which makes it available.***

exclusive Right to their respective Writings and Discoveries.’ Art. I, § 8, cl. 8. The patent laws promote this progress by offering inventors exclusive rights for a limited period as an incentive for their inventiveness and research efforts.”).

⁶ As Senator Specter has recently explained: “U.S. patent policy has historically sought to balance the goal of encouraging innovation with the need for public disclosure.” Specter Letter, *supra* note 2, at 1.

Giles S. Rich, *The Principles of Patentability*, 42 J. Pat. Off. Soc'y 75, 83 (1960) (emphasis added).

These words of wisdom from almost half a century ago ring particularly true when it comes to software and financial service-related inventions. Prior to *State Street*, and the “great flood” of “business method” patents, there was a dearth of prior art available as to computer software and financial service innovations.⁷

It is perhaps ironic that the greatest complaint levied against these types of patents is that so many applications--disclosing the previously withheld secrets of these industries--are being submitted to the PTO, and are becoming part of our public literature. Thus, the greatest complaint against these types of patents is perhaps the greatest justification for them.

⁷ It was this void that Congress addressed when it enacted 35 USC 273, to provide a prior user right for patents which cover “a method of doing or conducting business,” because prior to that time, these industries did not disclose what they did and how they did it. See Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 Cal. L. Rev. 1, 13 (2001) (“Finally, prior art in this particular industry may simply be difficult or, in some cases, impossible to find because of the nature of the software business. Unlike inventions in more established engineering fields, most software inventions are not described in published journals. Software innovations exist in the source code of commercial products and services that are available to customers. This source code is hard to catalog or search for ideas.”).

One industry participant aptly explained how in the financial service industry the need for patent protection of financial service products and the benefits of transparency resulting therefrom have evolved out of *State Street* and its progeny:

Two additional factors seemed to conspire further to drive financial service firms to the patent office – adoption of internet-based technologies to interact with clients and new regulations demanding financial, tax and accounting transparency. While the internet transformed many companies and even entire industries, few industries felt the effects more dramatically than financial services. Aside from effectively replacing the telephone, the internet fundamentally transformed the back office as well. Far from just a matter of automation, firms took pains to think through their entire value chains and re-engineer how they did business with their clients. Entire new processes and systems were being invented at a break-neck pace and the effects on the industry and the economy were breathtaking. As just one example, exchange-trading at last had been democratized and the day trader was born. ***Of course, virtually inherent with the rise of the internet, there was a concomitant loss of the ability to effectively maintain trade-secrets protection, and therefore, less of an ability to retain proprietary rights in all the inventive activity the internet became unleashed.***

Second, particularly in the area of new financial products, ***transparency became essential*** as a result of U.S. Treasury and IRS regulations designed to combat a growing problem with corporate tax shelters. Under the regulations, any financial structure offered having U.S. tax consequences was subject to being registered as a corporate tax shelter if the client or potential client was bound to confidence regarding the structure. Accordingly, ***confidentiality agreements were regarded as a regulatory kiss-of-death*** for such offerings and ***trade***

secret protection as a predominant form of intellectual property protection disappeared virtually overnight.

Thus, a regulatory push for transparency coupled with an internet-fueled pull for process re-engineering dictated the solution – have it both ways – that is, ***keep rights proprietary and at the same time embrace transparency: seek a patent.***

John A. Squires and Thomas S. Biemer, *Patent Law 101: Does A Grudging Lundgren Panel Decision Mean That The USPTO Is Finally Getting The Statutory Subject Matter Question Right?*, 46 IDEA 561, 565 (2006) (emphasis added).

Others in the financial service industry have also emphasized the importance of patents to the industry in a submission to the IRS in response to a proposed IRS Regulation that would discourage so-called “tax strategy” patents as follows:

Beginning in the late 1990’s, patent issues became of increasing importance in the financial services industry primarily as a result of information technology advances, deployment of those technologies by SIFMA [Securities Industry and Financial Markets Association] members and new legal precedent confirming an expansive U.S. patent regime. ***From the outset, SIFMA and its predecessor organizations have been active voices in advocating for a patent system that achieves and maintains a balance between the rights of patent holders and the public’s right to access fundamental structures, and that promotes interoperability between the complex technologies comprising much of the financial services industry and financial market infrastructure.***

January 31, 2008 Letter from Patti McClanahan, Managing Director, SIFMA, to IRS (available at <http://www.regulations.gov/fdmspublic/component/main?main=DocketDetail&d=IRS-2007-0112>; emphasis added).

The role of patents related to financial transactions and internet related activities in the economy is important. Such patents, when deserved, should be awarded to encourage innovation and transparency.

III. *AMICI CURIAE* RESPONSES TO QUESTIONS PRESENTED

In light of the above, *Amici Curiae* respond to the five questions raised in this Court's order in *In re Bilski*, 2008 US App. LEXIS 3246, at *1-*2 (Fed. Cir. Feb. 15, 2008) as follow:

1. Question 1: Whether claim 1 of the 08/833,892 patent application claims patent-eligible subject matter under 35 USC §101?

While *Amici Curiae* do not seek to address whether the claim at issue in this dispute is patent-eligible, we do respectfully submit that the objections raised by the PTO in its supplemental submission to the *Bilski* claim that it is "intangible" (p.5) are all addressed within the confines of the "useful, concrete and **tangible** result" test already formulated by this Court more than 15 years ago in *Alappat*, and applied ever since. *Amici Curiae*

respectfully submit this Court should not depart from its long-standing precedent in *State Street* and *AT&T*, and should not adopt the narrowing limitations proposed by the PTO to address what may or may not be deemed objectionable about the claim at issue in *Bilski*.

2. Question 2: What standard should govern in determining whether a process is patent-eligible subject matter under section 101?

In the context of what constitutes a “process,” Congress spoke loud and clear, when it statutorily defined a “process” to mean “process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.” 35 USC 100(b). Congress has since made clear after *State Street* and *AT&T* that the patent law contemplates “a method of doing or conducting business” as a type of “method” that can be patent-eligible subject matter. 35 USC 273(a)(3).⁸ Any suggestion that this Court could or should remove so-called “business method” patents as a class of patent-eligible subject matter would be contrary to this Congressional

⁸ Indeed, the Legislative History for 35 USC 273 confirms that Congress was fully aware of *State Street*, and has acted accordingly. See, e.g., 145 Cong. Rec. H6942 (daily ed. Aug. 3, 1999) (“Ms. LOFGREN ... In title II there is a first inventor defense that is limited to methods of doing or conducting business, and I need to understand why, what the impact of that would be and why it merits our support.... Mr. COBLE. Mr. Speaker, it is limited . . . to the ***State Street Bank case***.” (emphasis added)).

mandate.⁹ *John R. Sand & Gravel v. United States*, 128 S.Ct. 750, 756-57 (2008) (refusing to overturn the precedents because “*stare decisis* in respect to statutory interpretation has ‘special force,’ for ‘Congress remains free to alter what we have done’”; “Congress has long acquiesced in the interpretation [the Court has] given” (citations omitted)); *Shepard v. United States*, 544 US 13, 23 (2005) (“There is not, however, any sufficient justification for upsetting precedent here. We are, after all, dealing with an issue of statutory interpretation, and the claim to adhere to case law is generally powerful once a decision has settled statutory meaning. In this instance, time has enhanced even the usual precedential force, nearly 15 years having passed since [the precedent] came down, **without any action by Congress to modify the statute**” (citations omitted and emphasis added)); *Patterson v. McLean Credit Union*, 491 US 164, 172-173 (1989) (“Considerations of *stare decisis* have special force in the area of

⁹ This argument carries a greater force where, as here (*see, e.g.*, S. 2369, 110th Cong, 1st Sess.; H.R. 1908, 110th Cong., 1st Sess., §10; S. 861, 110th Cong, 1st Sess., §303; H.R. 2365, 110th Cong., 1st Sess.), Congress has considered, on multiple occasions, proposals to alter the scope of patentable subject matter in light of *State Street*. *Cf. Bob Jones Univ. v. United States*, 461 US 574, 600-01 (1983) (finding congressional acquiescence in the agency’s statutory interpretation based on Congress’s failure to act on no fewer than 13 bills introduced to overturn the agency’s interpretation during 12 years).

statutory interpretation, for here ... the legislative power is implicated, and Congress remains free to alter what we have done.”).

In *In re Comiskey*, this Court departed from the statute and the legislative imperative at the PTO’s urging and adopted a different and more limiting definition of a “process” that is patent-eligible. Specifically, as the PTO explains here, in *Comiskey*, the panel held that “a method claim recites statutory subject **only** if ‘it is embodied in, operates on, transforms, or otherwise involves **another class** of statutory subject matter, *i.e.*, a machine, manufacture, or composition of matter.” (PTO Supp. Br., at 9 (quoting *Comiskey*, 499 F.3d at 1376) (emphasis added)). With all due respect, this statement of the law is contrary to the statutory definition of “process” in 35 USC 100(b) (which does not contain any limitation that “processes” must act on **another** category of subject matter), and otherwise has no support in the law. To the contrary, the statutory definition of “process” includes “process” and “method” without any qualifier, as well as “a new use of a known process”. *Comiskey* and the PTO’s submission improperly read these words right out of the statute. See *TRW Inc. v. Andrews*, 534 US 19, 31 (2001) (“It is ‘a cardinal principle of statutory construction’ that ‘a statute ought, upon the whole, to be so construed that ...

no clause, sentence, or word shall be superfluous, void, or insignificant.”
(citation omitted)); *Moskal v. United States*, 498 US 103, 109 (1990) (“[A]
court should ‘give effect, if possible, to every clause and word of a statute.’”
(citations omitted)); *Mountain States Tel. & Tel. v. Pueblo of Santa Ana*, 472
US 237, 249 (1985) (“[A] statute should be interpreted so as not to render
one part inoperative.” (citation omitted)).¹⁰

For more than a century, Supreme Court precedent has made clear
that “[t]he patent law is **not** confined to new machines and new
compositions of matter, but extends to **any** new and useful **art** or
manufacture. ***A manufacturing process is clearly an art, within
the meaning of the law.***” *Tilghman v. Proctor*, 102 US 707, 722 (1881),
quoted in *Diehr*, 450 US at 184 n.8 (emphasis added).

The PTO in its supplemental submission seeks to engraft a series of
additional exceptions onto the standard for patent-eligible processes that

¹⁰ At the time of this submission, a petition for rehearing and rehearing en banc remains pending before this Court in *Comiskey*. Whether in response to that petition or here, this Court should correct this error of law, which the PTO seeks to perpetuate. See, e.g., *Ex parte Bingham*, Appeal No. 2007-4014, slip op. at 17-19 (BPAI Feb. 25, 2008); *Ex parte Donahue*, Appeal No. 2008-0641, slip op. at 13-14 (BPAI Jan. 30, 2008); see also *Ex parte Pestoni*, Appeal No. 2007-0771, slip op. at 15-17 (BPAI Nov. 28, 2007) (non-precedential); *Ex parte Gosby*, Appeal No. 2007-3941, slip op. at 13-14 (BPAI Sept. 28, 2007) (non-precedential).

are not justified or supported by binding Supreme Court precedent. Each of these additional limitations should be rejected.

First, the PTO seems to be advocating a "technological arts" test (PTO Supp. Br. at 10), despite the fact that its own binding precedent recognizes there is no support in the law for such a position. *See, e.g., Ex parte Lundgren*, 76 USPQ2d 1385, 1388 (BPAI 2005) ("Our determination is that there is currently ***no judicially recognized separate 'technological arts' test to determine patent eligible subject matter under Section 101.*** We decline to create one." (emphasis added)); *Ex Parte Bilski*, Appeal No. 2002-2257, slip op. at 41 (BPAI Sept. 26, 2006) ("***The Board held in Lundgren that the 'technological arts' is not a separate and distinct test for statutory subject matter.*** *Lundgren*, 76 USPQ2d at 1388. Accordingly, the examiner's rejection in this case, to the extent that it is based on a 'technological arts' test, is reversed." (emphasis added)); *see also, Squires, supra*, at 579-81.

Next, the PTO also seeks to draw a new distinction between "liberal" arts (like law and marketing) from "useful arts". (PTO Supp. Br. at 16 n.5). This distinction is made up out of whole cloth, and has no support in the

law. The patent law has a well-defined understanding of “useful” which has no bearing on the artificial definition that the PTO conjures up in this briefing. Almost two centuries ago, Justice Story explained that a “useful” invention is one which may be applied to a beneficial use in society, in contradistinction to an invention injurious to the morals, health and good order of society, or frivolous and insignificant. *Lowell v. Lewis*, 15 Fed. Cas. 1018 (C.D.D. Mass. 1817) (No. 8658) (Story, J.). The utility requirement ensures a patent is “not a reward for the search, but compensation for its successful conclusion.” *Brenner v. Manson*, 383 US 519, 536 (1966). “Useful Arts” are not merely “technical” arts as the PTO suggests.

Indeed, long before *State Street*, or even *Diehr*, the PTO issued countless patents directed to the so-called “liberal” arts of “law” (like insurance and contracts) and “marketing”:

- US Patent No. 389,818, “Complemental Accident Insurance Policy” (1888) (claims directed to “A complemental insurance policy”);
- US Reissue Patent No. RE11,270, “Means For Insuring Travelers Against Loss By Accident” (1892) (claims directed to a “means for insuring travelers and others against loss by accident”);
- US Patent No. 883,380, “Check” (1908) (claims directed to “A check having on each face a contract portion and a series of value designations”);

- US Patent No. 918,280, “Fractional-Insurance Policy” (1909) (claims directed to “A fractional insurance policy”);
- US Patent No. 959,879, “Railway Ticket” (1910) (claims directed to “An inline ticket”);
- US Patent No. 1,045,331, “Cigar Container” (1912) (claims directed to a “cigar container” that is described in the patent as being “especially useful in marketing cigars in their original packages”, page 1, lines 33-35);
- US Patent No. 1,150,708, “Method of Marketing Trees” (1915) (claims directed to a “method of preparing and marketing trees”);
- US Patent No. 1,254,870, “Means Used In Accounting” (1918) (claims directed to “A triplicate invoice and receipt comprising a sheet”);
- US Patent No. 1,419,739, “Marketing Bag” (1922) (claim directed to “An open topped bag adapted for marketing”).

The significance of these examples lies not in whether each individual patent was good/bad, but in demonstrating that the concept of “patent-eligible” subject matter has long recognized any “useful” invention, regardless of whether the use was in a “liberal” art (like law or marketing) or “technological” art (like electrical engineering).

These efforts by the PTO to create new judicial carve-outs from the scope of patent-eligible subject matter should be rejected by this Court.

3. Question 3: Whether the claimed subject matter is not patent-eligible because it constitutes an abstract idea or mental process; when does a claim that contains both

mental and physical steps create patent-eligible subject matter?

While *Amici Curiae* do not seek to offer any opinion on the Bilski claims, we respectfully submit that when a claim includes mental steps or abstract ideas, it is still patent-eligible if it also includes “physical” steps as set forth in the question. We respectfully submit that this question has already been answered in this manner by the Supreme Court in the context of claims containing algorithms in *Diehr*, 450 US at 191-93.

In *Diehr*, the Supreme Court raised in essence this question:

We granted certiorari to determine ***whether a process*** for curing synthetic rubber ***which includes*** in several of its steps ***the use of a mathematical formula and a programmed digital computer is patentable subject matter*** under 35 USC § 101.

450 US at 177 (emphasis added). In other words, when a claim includes mental steps or an abstract idea (e.g., “a mathematical formula”) but also includes physical steps (e.g., “curing synthetic rubber”), does the claim define patent-eligible subject matter?

The clear and unequivocal answer by the Supreme Court was that the process was patent-eligible subject matter even though the claim also included non-statutory subject matter, e.g., “a mathematical formula”:

Our earlier opinions lend support to our present conclusion that a claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula, computer program, or digital computer.

Diehr, 450 US at 187. Similarly, this Court should find the same here.

Indeed, the Supreme Court in *Diehr* made clear that attempts to parse out patent-eligible and non-patent-eligible subject matters in a claim are inappropriate:

In determining the eligibility of respondents' claimed process for patent protection under § 101, ***their claims must be considered as a whole. 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. The "novelty" of any element or steps [sic] in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.

450 US 188-89 (emphasis added). *But cf. Comiskey*, 499 F.3d at 1380, quoted in PTO Supp. Br. at 16 n.5.

4. Question 4: Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?

Amici Curiae agree with the Supreme Court in *Diehr* that methods that result in the physical transformation of an article or are tied to a physical machine or computer are patent-eligible subject matter. *See Diehr*, 450 US at 192. However, we do not agree with PTO's contention that the Supreme Court held that such methods are the **only** processes that are patent-eligible subject matter. *See* PTO Supp. Br. at 6-7. As discussed above, the Supreme Court used these categories merely as examples, and not as an exhaustive list. *See Diehr*, 450 US at 192; *see also AT&T*, 172 F.3d at 1358-59. A process should be considered patent-eligible as long as it produces a "useful, concrete and tangible result."

Significantly, the Supreme Court addressed a similar issue almost a century ago in *Expanded Metal Co. v. Bradford*, 214 US 366 (1909). In particular, "perhaps the most important question in the case" was whether "what is termed a process patent relates only to such as are produced by chemical action, or by the operation or application of some similar elemental action, and [whether] such processes do not include methods or

means which are affected by mere mechanical combinations” *Bradford*, 214 US at 381-82.

In arguing against a narrow interpretation of patent-eligible processes, the Respondent explained:

The doctrine that processes are not patentable unless they involve chemical reactions and elemental changes is unjust and contrary to the spirit of the Constitution and the intent of the patent laws. ***

If it be conceded -- and it cannot be logically denied -- that an exercise of the inventive faculties can be involved in the discovery of a combination of functions, acts or operations, by which a new and useful result is obtained, then to deny the patentability of such inventions is to establish a **false standard of patentability**, and to exclude a large class of meritorious inventors from the protection of the patent laws.

In response to this compelling argument, the Supreme Court held “this court did not intend to limit process patents to those showing chemical action or similar elemental changes” and that “an invention or discovery of a process or method involving mechanical operations, and producing a new and useful result, may be within the protection of the Federal statute, and entitle the inventor to a patent for his discovery.” *Bradford*, 214 US at 384, 385-86.

This Court should not adopt the “false standard of patentability” that the Supreme Court wisely refused to adopt almost a century ago.

Even the PTO recognizes that the law does not require that **all** processes must fall within these two safe-harbors. (See PTO Supp. Br. at 8-9 (“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.” (quoting *Benson*, 409 US at 71) (internal quotation marks omitted)); see also PTO Supp. Br. at 9 (“Rather, the [Supreme] Court made clear that it could be open to revisiting the standard if a new, unforeseen technology warranted an exception to its test.”)).

Indeed, a rule which categorically proscribes human-implemented methods from being patent-eligible subject matter as contended by the PTO (PTO Supp. Br. at 3, 13, 26) is contrary to long standing Supreme Court precedent. For example, in reaching its decision in *Bradford*, the Supreme Court approvingly quoted *Walker on Patents* as hornbook law that indicates “that valid process patents may be granted for operations which consist entirely of mechanical transactions, **but which may be performed by**

hand or by any of several different mechanisms or machines." *Bradford*, 214 US at 383 (internal quotation marks and citation omitted)(emphasis added).

The PTO also contends that "the creation of intangible legal obligations is far different from the transformation of articles contemplated by the Supreme Court cases". PTO Supp. Br. at 5. To the extent that the PTO is arguing that a contract or other legal obligation which is manifested in a tangible form (e.g., a written or electronic contract) should not be patent-eligible subject matter, the PTO's position is contrary to over two centuries of practice at the PTO. In particular, the PTO previously explained in "A USPTO White Paper", entitled "Automated Financial or Management Data Processing Methods (Business Methods)" as follows:

Financial apparatus and method patents date back to [the 1790s]. *** The first fifty years of the U.S. Patent Office saw the granting of forty-one financial patents in the arts of bank notes (2 patents), bills of credit (1), bills of exchange (1), check blanks (4); detecting and preventing counterfeiting (10), coin counting (1), interest calculation tables (5), and lotteries (17).

Financial patents in the paper-based technologies have been granted continuously for over two-hundred years.

A USPTO White Paper, at 2 (ver. 1.43) (available at <http://www.uspto.gov/web/menu/busmethp/whitepaper.pdf>) (emphasis added).

Thus, *Amici Curiae* respectfully submit that the creation of a legal obligation that is manifested in a tangible form (e.g., a written or electronic contract) should be considered patent-eligible subject matter, as has been the case for over two hundred years.

5. Question 5: Whether it is appropriate to reconsider State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998), and AT&T Corp. v. Excel Communications, Inc., 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?

Amici Curiae contend that *State Street* and *AT&T* should not be overruled in any respect. *Amici Curiae* further respectfully submit that, as discussed above, the Federal Circuit's ruling in *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007) should be overruled. *Comiskey* improperly engrafts a new requirement that a patent-eligible "process" must act upon another statutory class of patent-eligible subject matter. This not only deviates from the controlling Supreme Court precedent in *Diehr* and Federal Circuit's own precedent in *State Street* and *AT&T*, but is also contrary to the plain language of 35 USC 100(b), which defines a "process" otherwise.

In this connection, we respectfully submit that so-called "business method" patents have become an important and vital part of the US

economy, and the strong support found in Supreme Court precedent for holding that any process producing a “useful, concrete and tangible result” is patentable subject matter under 35 USC 101. We nevertheless agree that claims directed at purely “abstract ideas”, “laws of nature”, or “natural phenomena” should remain excluded from patentable subject matter, as the Supreme Court held in *Diehr*, 450 US at 185. Further, we respectfully submit that overturning *State Street* or *AT&T* would also usurp the role of Congress, since Congress legislatively acquiesced to these decisions when they adopted 35 USC 273, providing a prior-user defense to business method patents, and did not adopt other proposals to limit 35 USC 101.

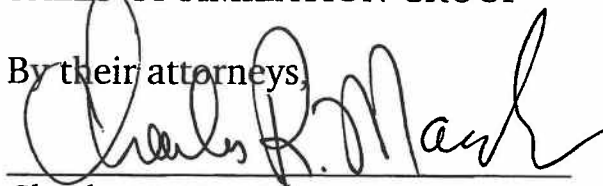
CONCLUSION

Amici Curiae join with the AIPLA in urging this Court not to disturb the settled expectations that financial method patents fall squarely within the broad scope of 35 USC 101, if they produce a “useful, concrete and tangible result”. The appropriate analysis for determining statutory subject matter under Section 101 was set forth in *Diehr* and should not be limited to applications that are tied to a computer or other machine, or require a strict physical transformation. A process under 35 USC 101 is “an act or series of acts” which to be patent-eligible subject matter must produce a “useful, concrete and tangible results” or “a beneficial result or effect.”

Respectfully submitted,

RESERVE MANAGEMENT CORPORATION
PCT CAPITAL LLC, REARDEN CAPITAL CORP., and
SALES OPTIMIZATION GROUP

By their attorneys,

A handwritten signature in dark ink, appearing to read "Charles R. Macedo", is written over a horizontal line.

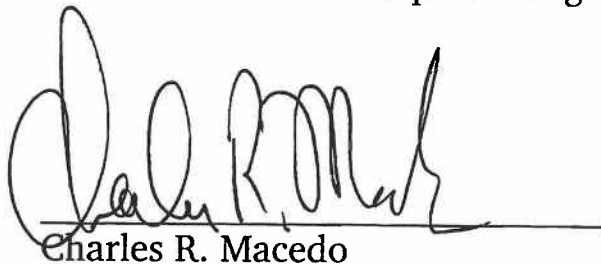
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Dated: April 4, 2008

CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with Federal Rule of Appellate Procedure 29(d) and the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B)(i). The brief contains 6,841 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii). The brief has been prepared in a monospaced typeface using Microsoft Word 2003 in 14 point Charter BT font. As permitted by Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned has relied upon the word count of this word-processing system in preparing this certificate.

A handwritten signature in black ink, appearing to read 'Charles R. Macedo', is written over a horizontal line.

Charles R. Macedo

Dated: April 4, 2008